### World News

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### Mandela calls for end to factional fighting

Nelson Mandela, the leader of the African National Congress, yesterday made a plea for peace in South Africa's province of Natal. He told a rally of supporters to throw their weapons into the sea to stop the fighting. Courting stop the ignang, courting unpopularity among the vast crowd, he urged reconciliation with Inkatha, the Zulu movement headed by Chief Mangosuthu Buthelezi. Page 2

**Bulgarians** march More than 80,000 Bulgarians, frustrated with the slow pace of reform, staged the largest anti-Communist protest since the ousting of veteran leader Todor Zhivkov in November.
Leaders of the opposition Union of Deaders of the opposition State of the opposition union of the opposition of the opposition of the opposition union of the opposition of the opposition union of the opposition union of the opposition union of the opposition union of the opposition of the opposition of the opposition union of the opposition union of the opposition union of the opposition of the opposition union of the opposition union of the opposition of the opposition union of the op were cheered as they called for an end to Communist rule.

Nicaraguan polls Voting opened yesterday in elections which allow Nicaraguans to pass their verdict on 10 years under the ruling Sandinista National Liberation Front (FSLN), which faces a strong challenge from the US-backed National Opposition Union (UNO). Page 2

Nato differences Belgian Foreign Minister Mark Eyskens said there was no chance for Nato to modernise its short-range nuclear missiles in Europe, given the prospect of German unity and democratic changes in eastern Europe: His comments on the topic are likely to cause a stir in the alliance which had

#### tion issue on ice until 1992. Australian debate

agreed to put the modernisa-

A TV confrontation between Australia's Prime Minister Bob Hawke and opposition leader Andrew Peacock stressed the importance of economic issues in the country's election cam-paign, but almost certainly failed to help large numbers of undecided voters. Page 3

Call for Arab protest Iraq's President Saddam Hus-sein said Arab states should divert some of their billions the US to eastern Europe and the Soviet Union to protest against US support for the new wave of Jewish emigration to Israel. Page 2

#### Philippines raity The Philippines marked the fourth anniversary of the over-

throw of former President Fer-dinand Marcos with a 20,000strong rally but the nation, recovering from its sixth coup bid last December, had little to celebrate. Page 3

Stand collapses At least 45 people were injured, 25 seriously, when spectator stands collapsed during a seccer game at Kusadasi in western Turkey, the Anatolian News Agency said.

Under continued pressure from Washington and Cairo, the Likud and Labour wings of Israel's national-unity coalition are edging towards an agreed formula for Israeli-Palestinian peace talks. Page 2

Cambodia talks Cambodia's warring factions meet in Jakarta today in a new attempt to end the war. Diplomats say there could be some headway in trying to end 11 years of fighting though a com-prehensive solution is still a long way off. The talks are the first since an international con-

last August. Page 3 No Greek president

Greece's 300-member parlia-ment failed in its second attempt to elect a new head of state with neither of the two sary two-thirds majority.

Plan for driftnet ban The European Community is tuna with driftnets which ensuare whales, dolphins and other fish as they scoop up all marine life in their path.

Alert in Tibet

Chinese security forces were on alert for renewed pro-inde-pendence demonstrations in Lhasa today when Tibetans celebrate their new year festival for the first time under

Atlantis grounded Launch of the US space shuttle Atlantis was scrubbed early sterday, just 31 seconds from lift-off, because of a computer malfunction. The delay was the latest in a series caused

by illness and bad weather.

### **Bush invites** Kaifu to US to discuss trade friction

**Business Summary** 

MR TOSHIKI KAIFU, Japan's Prime Minister, has received a sudden invitation from Presi-dent George Bush to visit the US this week to discuss grow-ing trade friction between the two countries and developments in north Asia. Page 18

EUROPEAN Monetary System: A relatively depressed D-Mark helped limit pressure in the EMS last week, although the lira threatened to rise above its divergence limit against the French and Belgian francs. The French franc finished as the weakest currency, but rose to a five-month high against the D-Mark on Friday. The lira was strong despite disagree-ment within the Italian coalition Government. At the Milan fixing on Friday the Bank of Italy bought D-Marks as the lira touched its highest level against the D-Mark since early

February 23, 1990



Liunk ECU Parity M Day Position

The chart shows the constraints on BMS exchange rates. The upper grid, based on the system's weakest currency, defines the cross-rates from which only the pestia may more by more than 24, per cent. The lower chart class currencies' lines. chart gives currencies' diver-gence from the central rate against the European Currency

**BRITISH Airways has** launched a three-year plan to improve the deteriorating financial performance of its European operations - which accounted for 40 per cent of annual turnover, but contributed only £16m (\$27m), less than 5 per cent, of operating surplus in 1988-89. Page 10

SAATCHI and Saatchi is prepared to listen to "any reasonable proposition" short of selling or diminishing its core business to bolster its prospects in the wake of last week's collapse of confidence in the company. Page 18

CHICAGO-based Tribune Company stated categorically that no talks regarding a sale of the New York Daily News to Robert Maxwell were taking

nlace Page 20. GENCOR, South Africa's second largest mining house, is to merge the oil refining and distribution networks acquired when Mobil, the US oil glant, divested its South African off and gas interests last year.

Page 23 SIR DEREK Alun-Jones, has received a substantial pay-off following his resignation as chairman and chief executive of Ferranti International, defence equipment group. Page 20

FINISH bank workers have rejected a mediation plan to end their strike over pay and days off, which has closed most banks all month. Page 2

BRAZILIAN inflation in February rose 73 per cent - the ighest monthly increase in the nation's history. The annual rate is now 171 per cent. since January and has reached 2,751 per cent during the last 12 months. Page 2

GAMMA Holdings of the Netherlands will buy a 55 per cent controlling stake in Bel-gan textile business, De Witte Lietaer, and launch a formal ing shares. Page 23

SPAIN'S big banks look set to begin a deposits war when Banco Espanol de Credito (Banesto), sarts paying interest on current accounts in a chal-lenge to a similar move by Page 23

OWNERS of Al Rayan, Egypt's higgest finance house, went on trial on charges of massive frand against 187,000 depositors whom it is alleged were cheated of almost £E2bn (\$766m). Page 2

### **Bush and Kohl** say a united Germany must stay in Nato

By Lionel Barber in Washington and Quentin Peel in Moscow

MR George Bush, US President, and Mr Helmut Kohl, Chancellor of West Ger-many yesterday agreed that a unified Germany should remain a full member of Nato, and that US troops should remain as a guarantor of sta-

bility in Europe. But the Soviet Union's Foreign Ministry yesterday flatly rejected any proposal that Ger-many should be part of the western military alliance.

The US-German agreement,

which is aimed at reassuring western allies and Germany's neighbours alarmed at the pace of reunification, was pace of reunification, was reached after two days of talks at the presidential retreat out-side Washington at Camp David, Maryland. Under the agreement, Ger-many would remain a full

member of the western alli-

What is now East Germany would have a "special military status" which would take into account the security concerns of "all interested parties including the Soviet Union", and could involve Soviet troops remaining for a transitional Dismissing fears about a

resurgent Germany in the centre of Europe, Mr Bush spoke of West German's 45-year-old democracy and its membership of Nato. "The enemy is unpredictability and instability." Mr Bush was asked how he would respond if Mr Gorba-

chev opposed a reunited Germany being in Nato. "We will do what (former President) do what (former President)
Lyndon Johnson did, we will
reason together — and it will
all work out."

Mr Kohl, expressing "profound gratitude" for Washington's support, pledged that a
reunited Germany would
respect the security of neighhouring states.

bouring states.
He avoided delivering a clear-cut promise, however, on the Administration had

pressed to extract during the

Immediately after Mr Kohl spoke, Mr Bush stated that the US supported the inviolability of borders under the 1975 Helsinki security and co-operation agreement and declared that the US formally recognised the current German/Polish border. The purpose of the Camp David meeting was to reach a common understanding on broad political security issues before the March 18 elections in East Germany, which are expected to lead to the creation of a united legal and political entity within a matter of

weeks. The two leaders said they had not agreed to a firm time-table on reunification, nor how exactly the "two-plus-four" mechanism – involving the two Germanies, the US, Soviet Union, France and the UK

- would work.

"The big point is to keep each other informed," said Mr Bush. The Administration was irritated last December when, with little forewarning, Chancellor Kohl set out publicly a 10-point plan for unity. Mr Bush acknowledged con-

cern about German reunficia-

tion in Western capitals, Moscow and Warsaw, but he phasised that the US had no right to speed up or slow down unification – it was a matter for the Germans to decide. This was sharply at odds with yesterday's Soviet statement. The policy-making collegium of the Soviet Foreign Ministry suggested that any outcome to the dehate on Ger-

man unification which involved membership of Nato "would lead to an Inadmissible upsetting of the military-strategic balanca."

The Foreign Ministry insisted that "the underlying principle from our point of

view is that the process of building German unity should exclude once and for all the possibility that Germany will be a threat to peace."

The statement came before the joint US-German announce-ment, and was clearly aimed at

reinforcing the Soviet position. This appears to be much more restrictive than the posiachev when he met Chancellor Kohl in Moscow recently. Then the Soviet position was that the two Germanys must sort out the details of their own relationship, while taking into account the security interests of their neighbours.

Pöhl warning, exodus continues, Modrow poll, Page 4



Pro-democracy rally in Moscow yesterday being observed from a roof-top by the city's police chief (second right). The crowd, estimated at 150,000, called for the Communist Party to sit down at a round table with opposition groups. The authorities defused the demonstrations, which took place in many other cities across the Soviet Union. Page 4

### Lithuanian independence group sweeps to victory

By Paul Winfrey in Vilnius

THE SOVIET republic of Lithuania's independence movement, Sajudis, swept to victory in the Soviet Union's first multi-party elections on Saturday, according to unoffi-cial election returns gathered by Sajudis representatives. The victory sets the republic firmly on course for full seces-

sion from the Soviet Union. Anti-Communist Party sentiment, meanwhile, brought crowds of up to 100,000 on to the streets of Moscow yesterday, in spite of official warnings of possible violence, to call for Communist leaders to step down and for radical reforms to the Soviet system. The demonstrations passed off peacefully. However they were smaller than had been hoped for by opposition groups which had sought a massive show of strength a week before

voting in the country's Slavic Isortiand republics of Bylorus-sis, Ukraine and Russia. In Lithnania, however, reliable data available on 90 of the 141 seats contested showed that Sajudis-backed candidates were claiming 72 victories, a margin which would give them an 80 per cent majority in the first Lithuanian Supreme Soviet to be chosen in free elections, if the pattern is continued in run-offs to be held in

The result will give the Lithuanian parliament a big major-ity in favour of secession and comes only weeks after Mr Mikhail Gorbachev, the Soviet leader, visited Vilnius to plead for the republic to remain in

Candidates from the independent Communist Party who were not backed by Sajudis won a meagre nine seats. Mr Algis Chekoulis, a Communist candidate endorsed by Sajudis, said: "If this is not a landslide, what is?" Mr Virgilis Chepaitis, secretary of Sajudis, said: "The Communist Party is finished in Lithuania," as the results were posted on the bulletin board in

Sajudis' Vilnius office, Although the elections were touted as the first multi-party balloting in Soviet history, endorsement by Sajudis, an umbrella independence group which claims it is not a political party, remained more important than political affiliation.

Among the new parties, nine Social Democrats, two Greens and two Christian Democrats ware elected. No one was elected from the new parties not emdorsed by Sajudis. Mr Romualdis Ozolis, vice-president of Sajudis, said: "None of the new parties is very strong. Therefore, personalities still express political ideas more than parties."

Communist Party boss, was the real loser. He gambled in December that leading the Lithuanian Communists out of the Soviet Party to form an independent Lithuanian Party

would make the group a credi-ble political force. Mr Brazauskas was

rewarded for his defiance with a 91 per cent victory in the district where he was running, but his new-found popularity failed to carry over to the party Twenty-two Lithuanian

Communists were elected but 13 of them had Sajudis endorsements, leaving the non-Sajudis Communist Party with nine seats. The disastrous showing was a sign that in Lithuania, as in much of eastern Europe, voters are unwilling to accept even reformminded Communists after 40 years' rule. Run-offs for seats where can-

didates failed to win more than 50 per cent of the vote will be held in two weeks. However, most citizens in this republic of 3.5m people interpreted the results as an overwhelming mandate for the republic to secede from the Soviet Union, perhaps as soon as the spring. Mr Vytautas Landsbergis,

the Sajudis leader, who was elected in Panevezys district hopes the new parliament will convene in April and immediately begin talks with Moscow to re-establish Lithuanian inde-

Observers expect a coalition government will emerge from the new parliament, possibly even retaining Mr Brazauskas as head of state.

### **First Boston** confirms exposure

By Alan Friedman and Janet Bush in New York

CS FIRST BOSTON, the Wall Street securities house, has admitted that it has a junk bond-related loan exposure of \$1.2bn as part of an effort to counteract concerns that it is

in financial trouble.

Fears about the health of First Boston have been mount-Lambert filed for bankruptcy two weeks ago. First Boston is believed to be the investment bank with the largest exposure to the distressed junk bond market effor Descol

market after Drexel.
In a determined effort to quell market speculation, First Boston, 44.5 per cent owned by the parent of Credit Suisse, the Swiss bank, took the unusual step of releasing to the press an internal memorandum to

an internal memorandum to its employees.

The memo states that the company had "sufficient back-up credit resources to weather any short-term disruptions caused by fall-out from the Drexel bankruptcy."

The memorandum is givened.

The memorandum is signed by both Mr Jack Hennessy, president of CS First Boston, and Mr Rainer Gut, chairman of Crédit Suisse. Mr Gut's sig-nature was intended to reassure employees that the Swiss parent would not abandon the US company.

The memorandum reveals that First Boston made a modest \$11m profit for the whole of 1989 after "making a significant contribution to our reserves" for its exposure to the bankrupt Campeau retail

empire.
The \$1.2bn of junk-related "bridge loan" exposure includes \$257m of debt from Campeau's Federated Department Stores subsidiary and \$935m of other dubious loans to Ohio Mattress Company, Jerrico and AMI. All of the companies were to be financed by junk bond issues. First Boston said that

although its equity capital was only \$1.1bm, it had combined capital and reserves of nearly \$2bm, enough to cover any fur-

Moody's Investors Service's concern about the company's nated loans to leveraged buyouts and its exposure to junk deals such as Ohio and Federated" led it to downgrade First Boston's long-term credit rat-

CS Holding, First Boston's parent, said last week that it was examining the possibility Continued on Page 18

### Report warns of deficiencies in US insurance regulation

By Peter Riddell, US Editor, in Washington

SERIOUS deficiencies exist in US insurance regulation, similar to those which led to the collapse of the savings and to industry, according to a wide-ranging Congressional report, published yesterday.

The report, from a sub-committee of the House Energy

and Commerce Committee, also highlights weaknesses in the screening of underwriting "names" by Lloyd's of London, while generally praising Brit-ish regulatory and auditing practices as examples the US might follow.

Congressman John Dingell,

influential Democratic chairman of the committee. says. on the basis of an 18-month inquiry, "the parallels between the present situation in the insurance industry and the early stages of the savings and loan debacle are both obvious and deeply disturbing. They encompass scandalous misthose entrusted with operating insurance companies, along with an appailing lack of regu-

"While there is not yet an insurance crisis on the scale of savings and loans, half the insolvencies since 1969 occurred in the last five years, and nearly half the costs to state guarantee funds associ-ated with those insolvencies were paid in 1987 alone."

The report focuses on four failures, all in the commercial property/casualty field, which will cost the US public an esti-mated \$5bn. The companies were Mission Insurance and Transit Casualty, both of Los Angeles, Integrity Insurance of New Jersey, and Anglo-American Insurance of Dallas.

The committee notes that no-one involved in the failures has been cited by state regula-tory agencies (which have the main responsibility), nor are there any applicable federal laws (other than those on wire or mail fraud, whose statutes of limitation come into effect before cases can successfully The report points in particu-

lar to the activities, in relation to Transit Casualty and Anglo-American, of Mr Carlos Miro, a London-based business Miro, a London-based business-man. It says his "insurance career has been marked by excessive greed, megalomania, hes and cynical abuse of the business and regulatory sys-tem. Although only 35 years old, he has personally been involved in virtually every major problem area identified by the sub-committee, includ-ing gross mismanagement. ing gross mismanagement, uncontrolled managing general agents, illusory reinsurance, fraudulent pricing, shell com-panies, conflicts of interest, self-dealing, offshore havens,

"His remarkable record of unprincipled exploitation is matched by the failure of the present insurance regulatory system either to prevent or punish Mr Miro's multitude of

wrongs."
While most of the blame is Continued on Page 18 Lloyd's reputation at risk,

#### CONTENTS THE MONDAY INTERVIEW



John McGregor, the Scotsman in charge of not as good a salesman as his pre sor, Kenneth Baker But he more than compensates by his deep and genuine interest.

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US trade with Japan: Grasping the skill to Lex: Meaning of life for the banks; Eurotunnel;

Turkey: Dervishes turn towards a renaissance of Islam **Unit Trusts** 

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### Mandela urges supporters Washington braced for possible Sandinista victory to end factional fighting

By Patti Waldmeir in Durban

MR Nelson Mandela, leader of the African National Congress. yesterday made a plea for peace in South Africa's trou-bled province of Natal, telling a rally of some 60,000 of his supporters to throw their weapons into the sea to stop

Courting unpopularity among the vast crowd which sat crosslegged on the playing fields of the King's Park sta-dium in Durban, Mr Mandela, freed from jail this month, urged reconciliation with Inkatha, the Zulu movement headed by Chief Mangosuthu

He said he would soon meet the Zulu monarch, King Good-will Zwelethini, for talks aimed at ending factional fighting which has left 3,000 blacks dead in the past four years. Earlier, Mr Walter Sisulu, another senior ANC leader, had said Chief Buthelezi would

also attend the talks. Mr Mandela said the fighting - which pits supporters of Inkatha against backers of the ANC and its affiliates, the Congress of South African Trade Unions (Cosatu) and the United Democratic Front — was hindering the struggle against apartheid.

The ANC leader pleaded with the crowd: "My message



Winnie and Nelson Mandela salute yesterday's crowd in Durhan.

to those of you involved in this battle of brother against brother is this: take your guns your knives, your pangas, and throw them into the sea."

Mr Mandela made several conciliatory gestures towards Chief Buthelezi, the Chief Min-ister of the KwaZulu black homeland, who is accused by many ANC supporters of collaborating with Pretoria. "We extend the hand of peace to Inkatha and hope it might one day be possible for us to share a platform with its leader, Chief Buthelezi," the ANC

leader said, provoking boos from the crowd. He commended Inkatha for demanding the unbanning of the ANC and the release of

political prisoners, adding that it "had contributed in no small

measure to making it difficult

for the regime to implement successive schemes designed to perpetuate minority rule." Mr Mandela's comments were welcomed by one senior Inkaths official, who said after the rally he expected a significant easing of tensions as a

MR JIMMY CARTER, former US MR JIMMY CARTER, former US
president and an official observer of the
Nicaraguan elections, said yesterday
that if polling was free and fair he
would make "a very strong recommendation" to President George Bush to lift
US economic sanctions against Nicaragua and to normalise relations.

Mr Daniel Orteon Nicaragua's President

Mr Daniel Ortega, Nicaragua's President and candidate of the ruling Sandinistas, has also said that if re-elected, his Government will stop arming leftist guerrillas in El Salvador. This would remove another key obstacle to rela-

Voter turnout appeared to be heavy as polling was held yesterday. Queues began forming outside polling stations as early as four in the morning in the

Capital. Poll experts said a heavy turn-out was likely to favour UNO, the US-backed opposition alliance. The atmosphere was calm and Electoral Council regulations prohibiting the display of party propaganda at poll-ing stations, including the wearing of T-shirts or hats with party alogans and symbols on them, were strictly

observed.
According to one report, US-backed
Contra rebels attacked two villages in the north of the country which are known for their street ruling Sandinista party (FSLN). No other serious incidents were reported,

The total number of registered voters has increased by 190,000, or 12.2 per cent, to about 1.75m since the last elections in 1984. The abstention rate then was nearly 25 per cent, with a further 6.7 per cent of ballots spoiled. The abstention and null vote rates are expected to be substantially lower this

Analysts will be waiting to see

whether the FSLN has been able to hold on to the 755,000 votes it obtained in 1984, or to increase them. A high turnout combined with only a stable vote for the FSLN could produce a very close result and almost certainly the loss of the FSLN's absolute majority in the 98sent National Assembly.

The Bush Administration - bracing itself for a possible Sandinista election win - has set several conditions before. a normalisation of relations can occur and a long-standing trade embargo is lifted. Among the most important is a halt of Sandinista military support for the Farabundo Marti National Libera-

tion Front. President Ortega's remarks on ending support for the guerrillas were made in an interview with the New York Times on the eve of the elections. They grested that the Sandinistas may be prepared to do a deal with Washington is free and fair.

at the expense of the guerrilla coalition.

The US has hoped that a popular wave of discontent with the Sandinistas—compled with the dire state of the Nicaraguan economy—would propel Mrs. Violeta Chamorro, the US-backed opposition candidate, to victory. But officials have begun to adjust to the prospect of a Sandinista win and spell out publicly what is likely to be a guarded US response.

Last week, Mr James Baker, US Secretary of State, told Congress that the US would expect "a substantial period of good behaviorn", as well as the end of military aid to the FMLN in line with the Esquipular regional accords. Mr

the Esquipulas regional accords. Mr. Baker also refused to commit the US unconditionally to the verdict of international observers headed by the UN, the Organisation of American States, and Mr Carter on whether the election

### Israeli coalition edges towards peace talks formula

By Eric Silver in Jerusalem

UNDER continued pressure from Washington and Cairo, the Likud and Labour wings of Israel's national-unity coalition formula for Israeli-Palestinian peace talks.

Mr Moshe Arens, the Foreign Minister, returned from the US yesterday and was reporting last night to Mr Yitzhak Shamir, the Prime Minister, on his talks with Mr James Baker. US Secretary of State. Mr Shamir is expected to call a

meeting of senior ministers soon to review developments.

Mr Baker pressed the Israelis Mr Baker pressed the iscaens for an early answer to an US proposal already endorsed by Egypt and the Palestine Libera-tion Organisation. He told Congress last week: "We need action. We've done a lot of talking."

reinforced in Jerusalem yester-day by a normally conservative US Jewish leader. Mr Seymour Reich, president of the Conference of Presidents of Major Jewish Organisations, said: "Clearly the next two weeks are very critical in this pro-cess. Baker has indicated that he's got a lot on his plate in terms of world issues and that he wants a response. I think he is deserving of a response shortly, and I think the israeli decision \*

Labour threatened last week to break up the coalition if the right-wing Likud did not agree

cing the long-stalled peace pro-cess. With the Likud torn by factional rivalries, Mr Shamir is reluctant to face a show-down with his main partner. In informal soundings over the weekend, he is reported to have reached a tentative agree-

ment with Mr Yitzhak Rabin, the Labour Defence Minister,

on the issue of the composition of the Palestinian negotiating team. It would include a deported activist and a leading

The journalist, Mr Radwan Abu Ayyash, has served two terms of administrative detention. He was born in a refugee camp and lives in Ramaliah. His nomination would satisfy Likud, which refuses to allow Jerusalem Arabs any part in the proposed transitional elec-tions, but may not be enough for the Palestinians, who are equally determined that Jerusalem should be included in

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Vickers Shipbuilding and Engineering Ltd. Award for Space Heating & Hot Water







Allied Colloids Group pic, Award for Large Scale Combined Heat and Power.

### Saddam seeks Arab economic lobby of US

By Lamis Andoni in Amman and Tony Walker in Cairo

some of their billions of dollars in investments in the US to eastern Kurope and the Soviet Union in protest at US support for the new wave of Jewish emigration to Israel, Iraq's President Saddam Hussein said at the weekend.

The Iraqi leader's remarks reflect growing anger and dis-may in the Arab world at the US role in facilitating the emigration of thousands of Soviet

Jews to Israel.

"Just as Israel has certain lobbles to pressure the American Administration," he told fellow Arab leaders at a minisummit in Amman, "so him-dreds of billions invested by the Arabs in the US and the West may be similarly

President Hussein, in a thinly veiled criticism of Arab

ARAB states should divert moderates such as the wealthy pro-American Gulf states, said the Arabs too often had been reduced to "ineffective rejec-tion or silence" by Washinga result," he said, "the US does not take Arab positions seri-

> tion Arab Co-operation Council, grouping Egypt, Iraq, Jordan and North Yemen, have called for a special meeting in Tunis next month of Arab Foreign Ministers to plan a cam-paign against the new wave of Jewish emigration.

The ACC leaders accused Washington of being responsi-ble for the influx, and branded it an open aggression against the rights of the Palestinian people and a threat to the Arab order and current Middle East peace efforts."

### Fraud trial against Cairo financiers begins

OWNERS of Al Rayan, Egypt's biggest finance house, went on trial yesterday on charges of massive fraud against 187,000 depositors whom it is alleged were cheated of almost £Ezhn (£450m), Tony Walker reports from Cairo.

Defendants included Mr Ahmed Tawfik al-Fattah, the company

chairman, his father, brother, two company employees and eight businessmen accused of assisting in the transfer of millions of dollars abroad.

dollars arroad.

The al Rayan principals were arrested in late 1988 after the Government cracked down on the Islamic deposit-taking sector.

The Islamic companies prospered by offering depositors much higher rates of return than the banks. These institutions were widely accused of operating "pyramid" schemes whereby they paid dividends from the funds lodged by new depositors.

#### Brazil inflation 73% for month

Brazil's inflation rate in February rose 73 per cent, the highest monthly increase in the nation's history, the Gov-ernment said, AP-DI reports from Rio de Janeiro.

February's inflation, calculated during the first 28 days of the month, jumped from January's rate of 56.1 per cent, according to the Brazilian Geography and Statistics Institute. tute. The Government recognises the institute's figures as

Inflation is running at an annual rate of 171 per cent since January and has reached 2,751 per cent during the last 12 months, the institute reported.

#### Rome trade deficit down

Italy's trade deficit narrowed to L3.995 trillion (million mil-lion) in January from a deficit of 14.296 trillion (£2.03hn) a year earlier, the State Statistical office Istat said, but the figures showed the gap worsened from December, AP-DJ reports from Rome.

The January deficit compared with a L388bn lire surplus in December. January's figures are provisional and not seasonally adjusted.

#### German bank lending up

The strength of the West German economy, with companies investing heavily to overcome capacity constraints at a time of high demand, has led to a sharp rise in bank lending, Andrew Fisher writes from Frankfurt. The Bundesbank said bank credits to the private sector in the past six months rose at a seasonally adjusted rose at a seasonally adjusted annual rate of 9.5 per cent.

### Finnish bank impasse :

Finnish bank workers rejected a mediation plan yesterday to and a strike which has closed most banks all mouth and said the stoppage would go on, Reu-ter reports from Helsinki.

Employers' leader Mr Heikki Ropponen said the banks could be closed at least two more weeks. He said his side had been willing to accept the plan. No more talks were planned.

#### Turkish lira curbs raised

The Turkish Government took more steps towards full convertibility for the lira yesterday by raising the thresholds for free foreign exchange and capital cutflows, Jim Bodgener

writes from Ankara.
The Official Gazette said the The Official Gazette said the upper limit on capital outflows which can be made without ministerial agreement had been doubled to the equivalent of \$50m. Turks can also now take forsign exchange equivalent to \$5,000 abroad rather than \$3,000.

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#### **OVERSEAS NEWS**

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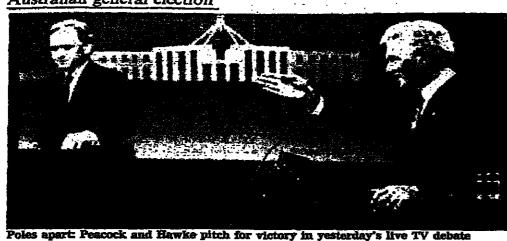
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### Party leaders fail to score points in 'Great Debate'

By Chris Sherwell in Sydney

LIVE television ter, the answer is Liberal." confrontation between Austra-lia's Prime Minister Bob Hawke and Mr Andrew Peacock, the opposition leader, last night highlighted the importance of economic issues in the country's election cam-paign, but almost certainly failed to help the large number of undecided voters.

The hour-long "Great Debate" - a structured, unspontaneous affair at the end of the campaign's first week - saw neither man score new points or commit a grievous error, and left both with everything to play for, shead of

polling day on March 24.

A forceful Mr Peacock declared the economy was on the "brink of collapse" and claimed his Liberal and National Party coalition had a co-ordinated policy programme to lift family living standards.
"If you want more of the same,
you'll vote Labor," he said. "If
you want a change for the bet-

An authoritative Mr Hawke pointed to a record of smaller government, jobs growth and a restructured economy under seven years of Labor Party rule, and claimed a decisive advantage in Labor's ability to

control wages.
Whereas Labor was united, be added, "the Liberal Party is ridden with internal bitternesses and hatreds, and there is fundamental division between the Liberal party and the National Party.

The debate, at Mr Hawke's insistence, unfortunately took place before either party had released its full policy statement. Under agreed rules, the two leaders made their own statements on each of three issues: the economy, social policy, and the environment

On the economy, voters are unlikely to have found the results convincing. Mr Peacock insisted his anti-inflation pro-gramme, involving tighter fis-

cal policy, a freeing-up of the labour market to boost productivity and a steadier monetary policy, would mean "sus-tained" falls in interest rates, and lift employment rather than create unemployment.

For his part, Mr Hawke, when questioned about his government's persistent failure to meet its inflation and interest rate targets, linked interest rate levels to inflation and said inflation was determined principally by wages, but then pointed to Labor's success in beating its forecast wages out-

On social policy, Mr Hawke claimed Labor had created a fairer society, only to hear Mr Peacock attack him for allowing the rich to grow richer and the poor poorer.

On the environment, Mr Pea cock pointed to the opposi-tion's record in government in creating national parks at Ayer's Rock, Kakadu and the Barrier Reef.

### New attempt today to end Cambodian war

John Murray Brown and Robin Pauley on the factions' first talks since last year

stark 1950s hotel, built as part of Japan's war reparations to Indonesia, is today the venue for the latest attempt to end the 11-year

for the intest artempt to end the 11-year war in Cambodia.

Today's talks provide the first meeting between Cambodia's warring factions — the three-party resistance contition and the Vietnamese-backed government of Hun Sen in Phnom Penh - since the withdrawal of the Vietnam-ese occupation forces and resumption of

the civil war last autumn.
It will be their first opportunity to discuss together an Australian proposal that the UN somehow take over the administration of Cambodia pending

elections.

The five permanent members of the UN Security Council in January endorsed the idea that the UN should play a greatly enhanced role in Cambodia, though they differ about what that role should be.

Also attending today's meeting will be the foreign ministers of Vietnam, Laos, the six members of the Association of South-East Asian Nations, Ans-

tion of South-East Asian Nations, Anstralia and France, as well as the UN's special Representative on Cambodia, Mr Rafueedin Achmad. The US and Soviet Union are sending observers.
Internationally, at least, there is a

The UN Security Council's permanent members believe the UN should play an enhanced role, though they may differ on what this should be

new sense of urgency to find a permanent peace agreement for this war-ravaged former French colony, A settlement would allow Cambodia to rebuild its once-prosperous and resource-rich

Any settlement will also have broad strategic implications wider afield than Indo-China and Asean. The major pow-Indo-China and Asean. The major powers will be looking for changes in a region where the political and economic interests of the US, the Soviet Union and China increasingly intersect.

Cambodia gained independence in 1954. Since then, it suffered US bombing as the Vietnam War spread, and then civil war between Lon Nol and Pol Pot

civil war between Lon Nol and Pol Pot, the latter infamous as the architect of Cambodia's killing fields.



Tight-lipped Khieu Samphan on arrival in Jakarta yesterday

The Chinese-backed Khmer Rouge régime of Pol Pot devastated Cambodia in the years 1975-78, killing an esti-mated Im of the 7m inhabitants until overthrown by the Vietnamese invasion on Christmas Day 1978.

The Australian plan sidesteps the problem of who will administer Cam-bodia during the interim period between a ceasefire and elections – the main stumbling-block at last summer's international conference in Paris. The proposal would give the UN far-reaching executive powers in the run-up to

The UN would also supervise a cease fire, and monitor the elections. A national council composed of all Cambodian factions would take over the country's seat at the UN - a variant of the idea that the UN seat be declared vacant.
"It's not intended to be a blueprint,

but a map of possible ways to find a solution," said Mr Gareth Evans, the Australian Foreign Minister, clutching the 150-page working paper, on his arrival in Jakarta.

The document also considers the likely cost of such an operation. The

current UN monitoring operation in Namibia, involving 4,500 police, military and administrative staff, is costing \$515m (£321m) for a year. The Austra-lian document is understood to estimate minimum cost of the Cambodian operation as \$780m. Japan has already indi-

cated it may foot a large part of the bill. The Cambodian factions have still to agree. At their meeting in Bangkok last week, Prince Sihanouk and Hun Sen signalled their willingness to support the creation of a national council, and for the first time agreed that a signifi-cant UN role was "essential".

Hun Sen hitherto has rejected any participation by the UN, largely because Cambodia's UN seat is still

because Cambodia's UN seat is still occupied by the opposition coalition. He now argues that letting a national council occupy the seat until elections prevents "anyone losing face."

He has also proposed, as an alternative to the Australian idea, that Cambodia be temporarily divided, with two parallel governments, each in the territory it now controls, and each relinouishing part of its executive authority quishing part of its executive authority to the UN.

Khmer Rouge agreement to any of

this will most likely prove harder to secure. Mr Evans conceded the Khmer Rouge were "the least enthusiastic". But he said it was "important the Khmer Rouge is not allowed to apply a

veto over the process".

Chinese support for the Khmer Rouge is no longer assured, and Thailand, which allows the Khmer Rouge to run supply-lines across the Thai border, is now anxious for a settlement, even if it excludes a role for the Khmer Rouge.

China's endorsement of an enhanced role for the UN with Khmer Rouge.

agreement suggests Peking may be ready at least to shorten the leash on its Khmer Rouge clients, the largest and most effective of the three resistance armies fighting government forces in western Cambodia.

The Soviet Union, preoccupied with its own domestic problems, has put pressure on Vietnam. Vietnam in turn seems willing to leave the fate of the regime it installed in Phnom Penh to the ballot box, particularly as Hun Sen has appeared an increasingly attractive prospect to both urban Vietnamese and o much of the international commu

Vietnam is keen to shed its isolated status in the international community and attract aid funds to reconstruct its There is a new sense of

urgency to find a permanent peace agreement, which would allow Cambodia to rebuild its resource-rich economy

own economy.

At a ministerial meeting in Malaysia this month, Asean and the EC openly condemned the Khmer Rouge, and said it must not be allowed to regain power by force. The EC said it would not vote for the coalition to retain the country's

seat at the UN when the Credentials Committee meets again in October. This week, the Khmer Rouge, led by Khieu Samphan, may find itself further isolated at the talks which are designed to make enough progress to enable the stalled Paris conference to be recon-

However, recent history permits little room for great optimism, and once again, China's absence could prove the one real weakness in the Jakarta talks.

### Manila finds little to celebrate

THE Philippines marked the

Hopes raised by the February 1986 revolt which drove Marcos to exile and thrust Mrs

againg to contain rising prices and corruption in a country still controlled by the rich and ultimately at the mercy of a fragmented army.

The "people nower" revolution is Filipino democracy's curse. It has set a precedent for coup attempts which army rebels have been quick to seize on,

a loss to counter. The 1986 event, which saw crowds of up to 1m block Marcos's tanks, has lent respect-ability to efforts to overthrow the Aquino government, including the last by Col Gregorio Honasan and other reformist" officers.

Col Honasan, still on the run, has maintained Mrs Aquino betrayed the ideals of the "people power" revolution. He notes there has been no thorough economic and social overhaul, and that as one of the revolt's architects, he has the right to set the revolution

This view is shared by the lone opposition senator Juan Ponce Enrile, Defence Minister before he broke with Marcos to launch the 1986 revolt with the then deputy armed forces chief Fidel Ramos, as well as Col

Honasan. On radio, Mr Enrile, whom Mrs Aquino has publicly linked to the December coup attempt, said he regretted handing power to her in February 1986. and apologised to the nation. Her "aimless leadership" had left the country poor and

divided, he claimed.
Mrs Aquino, 57, widow of the
murdered politician Benigno Aquino, taunted Enrile at the anniversary rally, calling him an opportunist.

The Philippines, which has

a foreign debt of \$26.9bn (£16.8bn), will sign a new money agreement with creditor banks in Tokyo on February 28, which promises more than \$700m in fresh loans.

The Government will seek from the 12-bank advisory committee the disbursal of about 60 per cent of this amount within three weeks of the signing of the Philippine bond pro-

Righty banks are said to have committed new money. By Friday, a total of \$709m had been pledged. This amount includes \$27m committed by 10

### By Greg Hutchinson in Manila

fourth anniversary of the over-throw of former-President Ferdinand Marcos with a 20,000-strong rally yesterday, but the nation, recovering from its sixth and most serious coup bid last December, had little to

Corazon Aquino into the presidency, are now in tatters.

The Aquino government is lighting to contain rising

and the Aquino government at

### Top provincial official quits in Pakistan

THE top official in Prime Minister Benazir Bhutto's home province has stepped down after weeks of bloodshed sparked charges that the gov-ernment could not maintain law and order, AP reports from

Syed Qaim Alt Shah, Sind province's chief minister, resigned late on Saturday. On Sunday night, the provincial assembly elected a distant relative of the prime minister, Mr Aftab Shabaan Mirani, to

replace him.

At least 70 people have died in recent ethnic strife in the southern port city of Karachi, which is Sind's capital and Pakistan's largest city, with

Most of the clashes have been between supporters of Ms Bhutto's Pakistan People's Party and the Mohajir Qaumi Movement The movement is largely made up of Moslem immigrants who fled Hindudominated India to predomi-nantly Moslem Pakistan after 1947, when Pakistan was

police and sharpshooters belonging to rival political groups left scores dead and ndreds wounded. The clashes were exacer-

hated by what many call the "Kalashnikov and heroin cul-ture" in Karachi, a main con-duit for arms for anti-Comminist Afghan rebels based in northern Pakistan and heroin for Western Europe.

The army moved in and the government slapped a series of

curfews on the city. Some areas remain under army control. Still, violence continues. The English-language

Nation newspaper reported yesterday that a politician from the Mohajir movement was killed at the weekend while he was sitting in his shop.

Many officials in the ruling
Party have Pakistan People's Party have been highly critical of Shah's leadership, accusing his gov-

ernment of being unable to control the volatile situation. independent of Britain. The violence peaked on February 7 and 8. Clashes between The developments in Sind were doubly embarrassing to Ms Rhutto because she comes from Karachi and looks to Sind province for political sup-

port. The Mohajir movement also used to be a close ally of the the prime minister. In Octo-ber, it broke with her party because it said promises of more jobs and opportunities for the Mobsjir people had not

In November, Ms Bhutto narrowly survived a no-confidence vote in the National Assembly after the 14 assem-

Assembly after the 14 assemblymen from the Mohajir movement voted against her. Since early February, elected officials from the Mohajir movement have boycotted the provincial assembly. On Sunday, only members of the Pakistan People's Party, which has a majority in the movince immed up to vote for province, turned up to vote for Chief Minister Shah's replace-



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February 1990

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### Kremlin mobilises TV to distract democrats

By Quentin Peel in Moscow

THE SOVIET authorities yesterday succeeded in defus-ing mass demonstrations, planned to take place across the country in favour of faster reform and multi-party democracy. The Government used repeated threats of possible violence, and the blatant blandishments of western pop videos and a lottery broadcast on television.

A huge crowd of some 150,000 gathered in Moscow even so, and thousands more in big towns and cities from Vladivostok in the far east to Minsk in the west, plus a big nationalist protest in Tbilisi, capital of Georgia.

However, the numbers who turned out to call for the ruling Communist Party to sit down at a round table with opposi-tion forces were fewer than the organisers had hoped for, after rallies in many towns had been banned or restricted. An offi-cial meeting in Leningrad was completely boycotted by sup-porters of democratic organisa-

tions. Last night, members of the democratic movement switched out their lights and lit candles in their windows, in silent protest at the campaign of official intimidation and dis-couragement, which included a string of government leaders warning of violent confronta-tion at the rallies. Even a church leader was given prime time on television to urge his followers to stay at home to celebrate the first day of the Russian Orthodox Lent.

In Moscow, a new commercial television channel was brought into the campaign, announcing at short notice a day of the top Western pop videos of 1989, and a lottery programme with prizes including video tape-recorders and colour television sets, virtually mobtainable in Soviet shops. In the event, the Moscow rally matched in size the last big demonstration of February

4, on the eve of the Communist Party Central Committee Plenum which decided to scrap Article Six of the Soviet Constitution. (This guarantees the party's monopoly of power.) In spite of a heavy turnout of Interior Ministry troops, including men in full riot gear, the rally was organised and dignified, restricted to an apolitical route along the city ring-road, well away from the Kremlin. Even the rlot police

put down their shields. Slogans denounced the slow

pace of perestrolka. They also attacked President Mikhail Gorbachev for alleged appeasement of conservatives. The crowd marched in almost festive mood from Gorky Park and the Foreign Ministry to a meeting-place on the ring road. There, the demonstrators dili-gently noted all the names of the "democratic" candidates

they should support in elec-tions next Sunday.

A resolution approved by acclamation called on the Communist Party to abandon not only its leading role, but also its privileged links with the real organs of Soviet state power, the KGB (state security committee) and the army.

The demonstrators - from various informal organisations, various informal organisations, ranging from the Democratic Platform in the Communist Party, through Social Democratic Union, to Anarcho-Syndicalists and even the Soviet Association of Esperanto speakers — called for direct elections to the presidency, which Mr Gorbachev proposes to make a powerful executive to make a powerful executive

### **Hurd faces** Gibraltar pressure

By Peter Bruce in Madrid

MR Douglas Hurd, UK Foreign Secretary, is likely to be pressed hard to find ways to stop the large-scale smuggling drugs, from Gibraltar into Spain, when he arrives in Madrid today for talks on the Brit-

ish colony's future.

Mr Francisco Fernández
Ordóñez, the Spanish Foreign
Minister, has set a combative tone for the annual round of talks by complaining loadly about Gibraltarian smuggling and money-laundering.

Articles have also appeared in the local press warning that Spain might be forced to build an airport nearby if the tinues to refuse to implement the UK-Spanish agreement of 1987 on joint use of Gibraltar

Spanish irritation with Britain's inability to push the colonial authorities into accepting joint use of the airport is taken for granted now. But diplomats in Madrid have been surprised at the angry tone Mr Fernández Ordonez has used recently to attack

Gibraltar.
In part, this stems from an incident last year when two Spanish policemen were arrested in Gibraitar, having chased some Gibraitarian smugglers from Spanish smugglers from Spanish waters. The suspects were not arrested and, when the Spanish policemen were due to return to the colony for trial, Madrid refused to let them.

Britain is obliged to let the Gibraltarians decide for themselves on whether to shide by

selves on whether to abide by the airport agreement, but Mr Joe Bossano, Gibraltarian Prime Minister, has sworn never to do so, and the impasse remains what may well be the only difficulty in

UK-Spanish relations.
For the first time, the British colonial governor is expec-ted to attend the talks today, as part of an attempt to increase pressure on, and iso-late, Mr Bossano. Even Madrid accepts that

implementation of the airport accord will be slow, and Gib-raltar plays little part in Span-

But Mr Bossano's refusal to do a deal on the airport is a direct challenge to Madrid, if not to London.

• The Spanish economy is expected to grow by 4 per cent this year, with the public sec-tor deficit falling to 1.6 per cent of GDP, according to the draft 1990 budget approved by

the cabinet at the weekend.

Mr Carlos Solchaga, Finance
Minister, said the budget
involved a 10.3 per cent
increase in total outlays and a 10.7 per cent increase in income. He described it as "moderately restrictive", in line with Government efforts to cool the economy. Spending last year was budgeted to grow 13.8 per cent.

The minister said the Government was standing by its inflation forecast of 5.7 per cent this year — more than one percentage point point down on that of 1989. He insisted that a recent series of agreements on pensions and salaries with the country's main trade unions — the price of political peace for the much-criticised minister — in no way endangered budgetary discipline.

But the Government, which won a parliamentary majority of one sest last October in a general election, is planning a 13.6 per cent increase in its contributions to social security, after increases of just over 10 per cent in 1988 and last year.

### **Bulgaria crowd clamours** for speedier reform

MORE than 80,000 Bulgarians yesterday staged their country's biggest anti-communist protest since President Todor Zhivkov was ousted in November, Reuter reports from Sofia. The crowd, which packed a square near Communist Party HQ in Sofia, waved banners saying "Enough nightmares" and "Liberty, Freedom, Jus-

Leaders of the opposition Union of Democratic Forces (UDF), which had organised the rally, were cheered as they urged an end to Communist rule. Bulgaria's new Communist leaders have renounced automatic right to rule and begun talks with opposition groups. But the UDF says the party is lagging on economic reform and delaying changes needed to give the opposition a fair chance in elections due in late-May.

Peter Riddell adds from Washington: Bulgaria has formally applied to join the International Monetary Fund and the World Bank. The Bulgarian ambiguitant of the IMF a recess. polication to the LMLF, a nece sary preliminary to membership of the World Bank, will be followed by a visit to Sofia in April or May by an IMF mission, to discuss Bulgaria's economy and the size of its subscription or membership

This year, Czechoslovakia applied to revive lapsed mem-bership. An IMF mission will visit Prague a week hence. The US and other leading share-holders have supported Prague's application.

Poland, Hungary, Romania

and Yugoslavia are already members of the IMF and World members of the IMF and World Bank. Poland recently signed large stand-by and loan pacts with both bodies, while Mr Ferenc Bartha, president of Hungary's National Bank, was in Washington last week to agree a \$210m stand-by arrangement with the IMF. This is preliminary to an international bridging loan and larger IMF medium-term adjustment assistance, on which talks will start this year, as well as start this year, as well as \$350m-\$450m in World Bank

The IMF recently sent a miswith the new Romanian Gov-

WORLD	ECONOM	C INDI	CATOR	<b>S</b>
•	UNEMPLO	YMENT		
	Jan. '89	Dec. '89	Oct.'89	Jan. '88
W.Germany 000's	1,973	1,996	2,022	2,097
%	7.7	7.8	7.9	8.1
USA 000'a	6,535	6,656	6,652	6,625
%	- 5.3	5.3	5.3	5.4
UK 000's	1,687	1,639	1,612	-2,074
<b>%</b>	6.0	5.8	5.7	7.4
Belgium 000's	362	352	347	390
· , %	10.0	9.9	9.9	10.6
	Dec.'89	Nov.'89	Oct.'89	Dec.'88
Japan 900's	1,330	1,410	1,430	1,460
` %	21	22	2.30	2.5
France 000's	2,586	2,578	2,599	242.9
%	9.8	9.8	9.8	10.5
italy 000's	3,905	3,911	3,898	3,847
%	10.9	11.0	10.9	10.6
	Nov.'89 .	Oct. 89	Sept '89	Nov.'88
Netherlands 000's	365	378	381	412.0
%	9.1	9.2	9.3	10.3
			cept US, UK, Jes	

### **OBITUARY**

### **Pertini** dies aged 93

SANDRO PERTINI, who died in his sleep on Saturday even-ing aged 93, gained enormous public affection during his term as President of Italy from 1978-85. Although it is nearly five

Although it is nearly five years since Sandro Pertial left the Quirinale Palace, many genuine teers were being shed in Italy yesterday to testify to the enormous public affection he earned during his term as President of the Republic. He died beging lived a brief He died having lived a brief, dignified retirement after a

long political career.

Pertini's long political odyssey spanned the best and the worst of Italian 20th century history.

A bombardier in the First

World War, his subsequent political activism in the Social-ist Party was born of a profound rejection of the authori-tarian, collectivist values imposed by Mussolini's Fascism. He escaped imprison-ment in 1926 when he fled to Paris, only to return to Italy in 1929 as a claudestine politi-cal organiser for his party. During the Second World Ouring the Second World War he was captured by the Gestapo and sentenced to death, only to cheat the firing squad by a daring escape from his Roman prison. By the war's end He had become a

leading organiser of the Mila-

Though he could be calculating and quite ruthless, Pertini lacked the necessary feline attributes to be a natural leader in Italian post-war poli-tics. By the time he was elected President in 1978 - by the largest ever parliamentary majority - he had become a aged father figure who was expected to treat the highest office of state as a comfortable retirement post. Instead, he travelled widely at home and abroad and became the authentic voice of a the people. • Large crowds of Italians stood sliently, some weeping, outside Pertini's modest home near Rome's Trevi fountain, where in years past they would gather in festive mood beneath his windows to sing Happy Birthday, Reuter adds

"He really was a sincere per son. Most politicians keep their distance from the people but he was always near to us," said one young woman.
Pertini, who brought a new style to the presidency with his liabit of lunching with workers and telephoning the Qurinale Palace from a public.

call box, requested a simple private funeral His family said he would be cremated in Rome today and his ashes flown to his northwestern home village of Stella, near Savona, to be placed with those of his par-

The Italian cabinet ordered flags to be flown at half-mast and proclaimed two days of mourning. Soccer fans observed a minute's silence before yesterday's league foot-ball games.

By the time Pertini's presidency expired in 1985, he had become close friends with the Pope, meeting him on 11 mostly informal occa-sions - the highest number of encounters between a Pope and an Italian head of state.

In a message of condolence, the Pope spoke of his warm friendship with Pertini, who he called a man "dedicated to freedom and democracy".

### Pöhl warning on monetary union

By David Marsh in Bonn

Mr Karl Otto Pöhl, the president of the West German Bundesbank has delivered a stiff warning to the Bonn Gov-ernment about the feasibility of accelerated monetary union with East Germany.

"We must do everything to bring the process to a conclusion as quickly as possible," Mr Pohl says in an interview with the news magazine Der Spiegel today. But it would be an illusion to reckon with it in just a few weeks."

In his most outspoken comments to date on Chancellor Helmut Kohl's offer to intro-duce the D-Mark into East Germany, Mr Pohl points to the possibility of tax increases in West Germany to finance part of the "enormous transfer pay-ments" needed to accompany reunification.

He says the longer term benefits of unification are likely to be "far higher than the costs." But Mr Pöhl also stresses the risks of a big increase in East German unemployment, as well as further emigration, as a result of the economic "shock

Underlining increased pessi-mism in East German over the economic outlook, the Bonn Interior Ministry said over the weekend that just under 100,000 East Germans have entered the Federal Republic since the start of the year - an exodus causing growing prob-lems in both German states. Mr Pöhl's remarks are likely to fuel controversy about the the highly charged atmosphere ahead of East Germany's first

emocratic elections on March

The Bundesbank president's bluntness will also add to strains in his relationship with Mr Kohl. Mr Pöhl termed as "unusual" and "annoying" Mr Kohl's failure to inform him of his offer just under three weeks ago of "immediate" monetary union talks. The offer, put forward on February 6, completely wrong-footed Mr Pohl, who was himself holding talks in East Berlin the same day with the East German Eco-

nomics Minister and the cen-tral bank president. The day before Mr Kohl's announcement, Mr Pöhl said he held a long discussion with both the Chancellor and Mr Theo Waigel, the Finance Min-ister. "In these talks I was not told one word that such a sug-

gestion should be put for-ward," he says.

Mr Pöhl emphasises that the question of monetary union is a "political decision" which in the last resort has to be settled by the German parliament. But he points out: I cannot imagine that the Government would conclude an agreement which the central council of the Bundesbank could not agree

Mr Põhl extends his previous warnings about the danger of introducing too high an exchange rate for the East Mark against the D-Mark.

Although he refused to spell out what he thought should be the correct rate, he confirmed the Bundesbank's misgivings about a 1 to 1 conversion rate, which has been suggested by some officials in Bonn to pro-tect East German savings. "A wrong conversion rate would have wide ranging con-

his session with Mr Brady that they had agreed that efforts would be needed to avoid "an upward push in interest rates that might slow economic development."

The recent rise in West German bond yields in anticipation that German monetary union will trigger much greater credit demands was seen by both Ministers as a threat to international interest

sequences for the competitive-

ness of East Germany," Mr

Pohl says.

• The issue of German reuni-

fication and its likely economic impact dominated talks

between Mr Nicholas Brady,

US Treasury Secretary, and Italian government leaders at the weekend, John Wyles adds

from Rome.

According to Italian spokes-

According to Italian spokesmen, the theme will be taken up at a meeting of Finance ministers from the G7 group of leading industrialised countries which is likely to be held in Europe after Easter.

Mr Guido Carli, the Italian Treasury Minister, said after his session with Mr Brady that they had serged that efforts

threat to international interes rate stability.

### European Haughey off to US

By Kieran Cocke in Dublin

MR CHARLES Haughey, the Irish Prime Minister, arrives in Washington today, for talks with President George Bush and other officials, in his pres-ent role as President of the European Community Council of Ministers.

Irish officials have been keen to play up the signifi-cance of the visit, saying the rest of the EC recognises the special relationship Ireland has with the US, and the role it can play in persuading Washington to take a more active part in a changing

Europe.

Mr Haughey says there is a sort of US-EC med for some sort of US-EC political apparatus which would parallel established institutions dealing with trade matters between the US and

the EC.
The Prime Minister adds that he will be putting "specific proposals" to Mr Bush as to how the US can be more closely involved in events in Europe. Mr Haughey will be briefing the president on the latest EC thinking on German reunification, and will report US attitudes on the issue to a special EC attention in Dublin special EC summit in Dublin in April.
While Mr Haughey will

while Mr Haugney will want to concentrate on political issues, the problems of US-EC trade are also likely to feature in his Washington talks. A central figure in US-EC trade wrangles is Mr Ray MacSharry, Irish former Finance Minister, now EC Asticulture Commissioner. Agriculture Commissioner. He has angered the US by what is seen in Washington as his increasingly tough approach in the current round of Gatt negotiations and to a range of US-EC trade disputes. Ireland is increasingly turn. ireiand is increasingly turning away from its traditional relationship with the US and towards Europe. A central feature of this is the direction of Ireland's trade: in 1989, the country had total trade with the rest of the EC worth nearly 1219bn (£17.75bn). With the US, total trade in 1989 was

# parties — is pictured with Mr Ibrahim Böhme, chairman of the East German SPD. (right) during the latter's first party meeting, at Lengig over the weekend. "German unity cannot meanthat we all rediscover ourselves in the west. Mr Willy Brandt, former West German Chancel-lor, yesterday addressed 100,000 East Germana from an opera house balcony at Leipzig. He arged them to work for German unity at home,

ead of emigrating west.

Mr Brandt – now honorary chairman of both the West and East German Social Democratic

Stay here and work for improvements. Don't empty your country," Mr Brandt said, in an emotional appeal to the crowd.

### Modrow to run for premiership at head of E German party

By Leslie Collit in Berlin

EAST Germany's Interim Prime Minister, Mr Hans Modrow, took the country by surprise yesterday by saying he would lead the refashioned Communist Party in elections next month after all.

He disclosed his candidacy to a jubilant party congress in East Berlin, which approved a change of name from Socialist Unity Party to the Party of Democratic Socialism (PDS). Despite the party's wide-spread unpopularity, the 62-year-old leader has gained much respect among East Ger-

remains to be seen whether he can save the PDS from a crush-

ing defeat at the polls.

Mr Modrow, looking drawn after a dramatic speech to his party's congress, drew the 530

delegates to their feet when he a new German constitution, to said he would stand to keep the premiership on March 18, largely because of the many younger party members who wanted to renew socialism and

the party.

Mr Modrow's main opposition rival, Mr Ibrahim Böhme,
who is the favourite to succeed as premier, was confirmed over the weekend as East German one weeken as East German Social Democratic Party chair-man, 'at the party's first con-gress at Leipzig. The East German Social

Democrats yesterday presented their timetable for German unification, saying both German governments should opt for a Parliamentary Council headed by Mr Willy Brandt, former West German Chancellor. Such a council would draft in both German Vogel,
in a speech to the SPD delegates, Mr Hans-Jochen Vogel,
West German SPD chairman,

west German SrD channan, hit out at West German Chan-cellor Helmut Kohl by warning against a "chaotic incorpora-tion" of East Germany by West Germany, and advocated an orderly growing together. He accused the Christian Democrats in Bonn of carrying out an "infamous slander cam-paign" against both SPDs. The first election rally held by an alliance under New Forum, the East German oppo-sition movement which spearheaded the overthrow of the previous communist leaders, was attended by only 1,500 supporters at Schwerin.

third.

A candidate for a five-year term in the largely ceremonial post of president must win at least 200 votes in the first two rounds of balloting in the 300-member unicameral Parliament and 180 votes in the third. The conservatives hold 148 seats, the socialists 128 and the Communists 21. Three seats belong to independents. Mr Alevras, backed by the socialists, received 127 votes. Mr Sartzetakis received 21 votes from the Communist alliance. Four deputies were

ance. Four deputies were absent from the chamber. ansent from the chamber.
In the first round of voting,
Mr Sartzetakis, who ran unopposed, received 151 votes.
House Speaker Athanassios
Tsaldaris said the third round
will be held on Saturday March
2. Parties may propose a differ. 3. Parties may propose a different candidate in each round.

### Brussels attempts to stamp out nationalistic buying Lucy Kellaway reports on the EC Commission's drive to open up the public procurement market

British Industry, the Commission is trying hard to get some constraints. Others pointed out ment problem the Commis-

OR some 20 years the European Commission has been trying to correct the blatantly nationalistic habits of big public and monopoly buyers. They spend 15 to 20 per cent of Community gross pational product and all gross national product and all but 2 or 3 per cent of that goes straight into the hands of their own national companies. Last week its efforts took a

leap forward with the approval of a directive that should open up buying in four of the most important sectors - water, telecommunications, transport and energy.
This directive is at the cen-

re of the campaign to break open the public procurement market. These so-called "excluded sectors", which account for over half the total, have been left out of previous public procurement measures on the grounds that means of on the grounds that many of the buyers were private companies and outside the Commission's usual sway.

There is a lot to be gained from opening up procurement.
One Commission report put
the cost of biased purchasing
at Ecu21.5bn (£15.4bn) a year or 0.6 per cent of Community

Even if only a tenth of that could be recovered, it would still be worth having. In both macro-economic and industrial terms it is one of the most important aspects of the single market: get rid of nationalistic buying, and you also get rid of an important reason for fragmented and uncompetitive industries. It is of symbolic importance too; if the big pur-chasers go on buying national, the credibility of the whole 1992 programme will look thin. To get there, aged and tooth-less directives dating from the 1970s covering the purchasing of public works and supplies have recently been strengthened. The amount of informaened. The amount of informa-tion that hidders must give has been greatly increased, as has the period of notice. New enforcement measures are also being introduced. And after the excluded sectors, the final step is to bring services (such as consultancy) within the net. The excluded sectors direc-tive is radical, it no longer distive is radical. It no longer dis-tinguishes between public and private, but between those pur-chasing companies that are competitive, and those that are either monopolies or under any kind of government influence.
"The debate is not about public procurement any more," says a Commission expert. "It is about breaking the long-standing incestuous relationships between national monopolies

and their client suppliers."

This shift initially drew a howl of protest from industry. Companies argued that the proposed thresholds — above which the rules will apply were too low, the process of bidding too cumbersome, and the scope too broad. The result, they said, would simply be higher costs and lower profits. As a consequence, various

EUROPEAN MARKET changes have been made. The

thresholds have been lifted somewhat (although many companies still feel that Ecusim for a works contract, and about Ben400,000 for most supplies, are too low) and the hidding processes have been greatly simplified. Important exceptions have

Important exceptions have been made in some areas, and the Community's poorer companies have been given a three-to four-year breathing space in which to comply. In the energy sector, purchases by utilities of gas and electricity have seen excluded altogether, mainly because any talk of opening up the energy market meets immovable resistance from some member states. For the time being, at least, that tough nut has been left to energy ministers to crack.

The demands of the UK Government and the oil industry have also been heard, so that equipment for coal, oil or gas exploration is outside the rules. The oil industry had argued strongly that it was

argued strongly that it was competitive anyway and did not need such cumbersome

that almost 90 per cent of UK North Sea orders were won by British companies; they claimed that the industry was looked after by an overtly pro-tectionist Offshore Supplies Office, and that the Govern-ment was inclined to reward or punish oil companies through the award of exploration

will reconsider the matter. Despite such exceptions the Despite such exceptions the directive's scope directive is broad. Most pleas for special treatment were ignored: France vainly attempted to get water supplies left out.

The next task is to decide how the new measures should be enforced. Later this spring the Commission will not for the Commission will put forward a directive on compli-

ance.
This is proving a legal mine-field, because the same legal conditions that can be imposed on a public company cannot be imposed on a private one.

Member states have long made
it clear that any system that
would allow the Commission to suspend contracts when it suspects wrong-doing is unaccept-able. Other safeguards are being considered, such as regular independent audits of private companies, with the results made public.

The compromise solution is to make the exemption conditional: any sign of bias in the granting of either licences or contracts and the Commission

time and money. More recently, however, a German company has won a contract to build the Marseilles metro, and an Italian company has won a contract on the Lyons bypess. There is also some evidence that problems are being aired; and even though most of the discussion is in such national bodies as the Confederation of

To cope with the enforce-

sion's procurement team has grown tenfold in the past two sion is trying hard to get some cross-border talking going.

At a recent conference in Brussels organised by the Centre for European Policy Studies, four conditions were suggested for the success of the Commission's efforts. The directives must be effective; purchasers must be prepared to change their behaviour; lower urices must actually lead years - although at about 40 people it is still doubtful whether it can manage the task ahead even if it uses outside services where possible. More important, though, will be whether companies them-selves are prepared to blow the whistle on buyers which have wronged them — something they may not want to do for fear of losing future business. However, the example of Bouy-gues, the French construction company which complained lower prices must actually lead to greater efficiency; and the benefits must go to EC companies rather than to third councompany which complained about the award of a construc-This last condition has

about the award of a construction contract in Denmark, is
encouraging. Denmark was
challenged by the Commission,
and Bouygues at least got its
hidding costs back.

Very slowly, attitudes seem
to be changing. Even before
the assorted directives come
into place over the next three
years, there is hope that the
market may have opened a hir
One upon a time there would
have been no point in an Italian company hidding for a contract in, say, Manchester — it
would have been a waste of
time and money. More proved the trickiest part of the deal on excluded sectors. Some member states argued it was provocatively protectionist to introduce any new barriers around Europe at a time when the General Agreement on Tariffs and Trade is trying to get rid of them. Others said Europe should match the kind of barriers that exist in the IIS of barriers that exist in the US or Japan, giving European companies a big price prefer-The debate was largely tacti-

cal: the issue will be decided by Gatt at the end of this year, by Gait at the end of this year, two years before the directive comes into force. In the end, however, member states agreed that EC companies would be given a small price advantage of 3 per cent. The Commission, at any rate, seems pleased with the outcome, which is more or less come, which is more or less exactly what it wanted in the first place.

### Greeks fail to elect head of state

only Issbn.

THE Greek Parliament yesterday failed to elect a head of state in its second round of voting after the conservative New Democracy party abstained from the roll call, AP reports from Athens.

The action made it impossible for either of the two candidates — incumbent President Christos Sartzetakis and for-

Christos Sartzetakis and for-mer Parliament Speaker Yan-nis Alevras – to receive the necessary number of votes.

New Democracy, Greece's largest political group, also abstained in the first round of voting last Monday and has said it will abstain again in the third.

European Haughey off to US ay Kieran Cooks

\*DAY FEBRUARY 26 |4

union

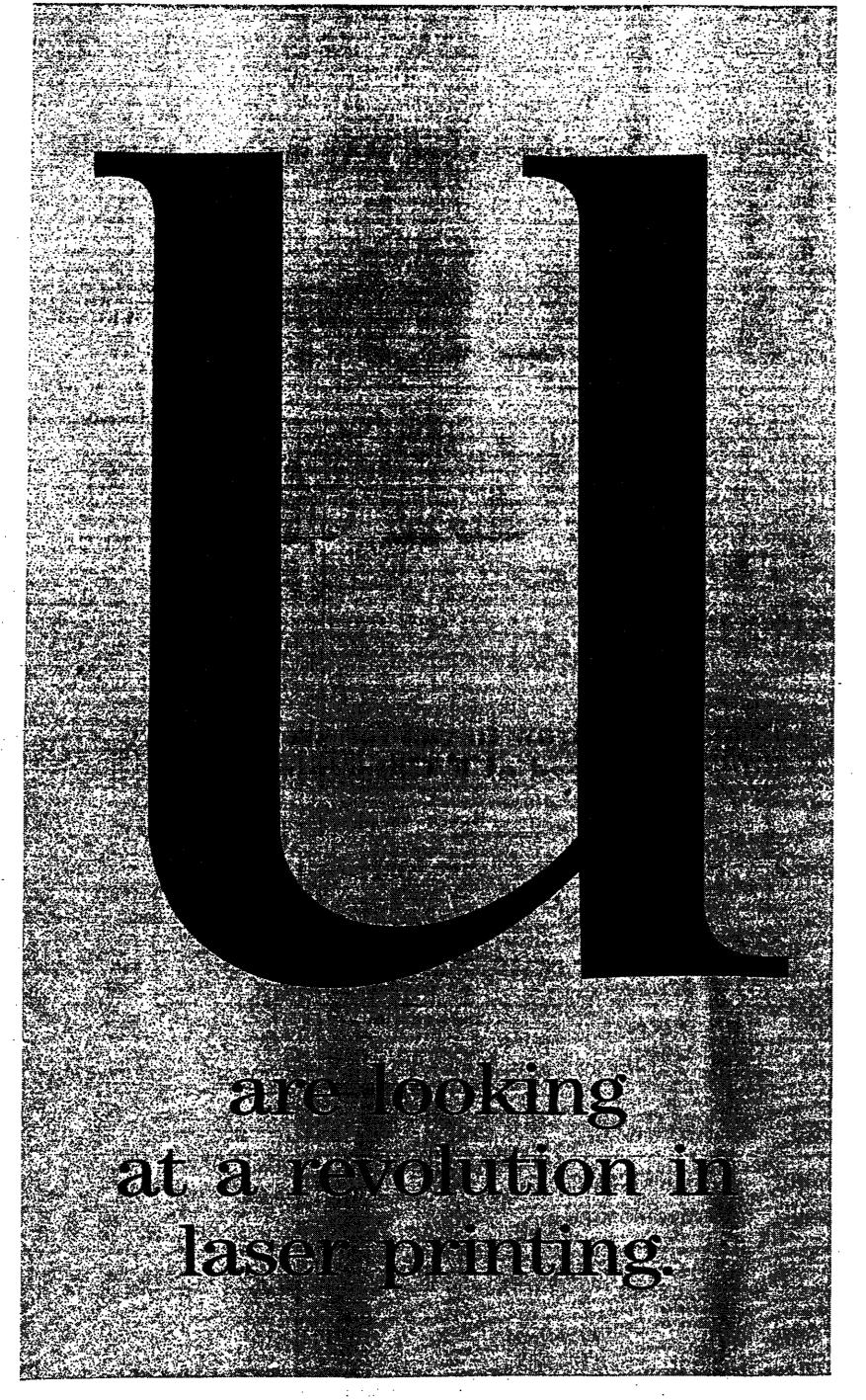
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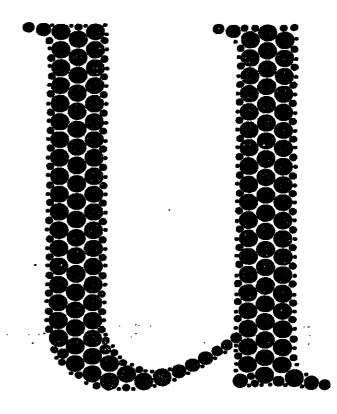
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### CBI points to continued growth in British exports

FOREIGN DEMAND for exports this year while the British manufactured goods continues to grow, providing one bright spot in an otherwise gloomy picture of weak orders and stagnant production, a new survey of UK industry

shows today. The Confederation of British Industry reported that its industrial trends inquiry for February found, by a narrow margin, that manufacturers were reporting export orders above normal for the first time

since September 1988.
At the same time, however, overall demand had weakened significantly from a year ago. The survey, which polled 1,408 companies in the first three weeks of this month, suggested that production "will increase hardly at all over the next four months," in marked contrast with the early part of last year strong growth in output in the months ahead.

The CBI's survey covered companies responsible for roughly half the exports and employment in UK manufac-

turing industry. It gave strong support to the latest forecast of the British economy from the London

The LBS forecast sees a strong rise in manufacturing economy goes through a "growth recession."

British gross domestic prod-uct will rise by only 1 per cent this year after 2.3 per cent in 1989, the LBS said. However, growth will recover to 2.6 per cent next year as current tight policies are eased in the run up to the next general election in

The LBS warned that the main recessionary element in the economy is likely to be company spending, with investment flat and destocking significant. These fears are borne out by the CBI survey.

The CBI said that the contin-

ued weakness of order books is preventing companies from On balance, fewer manufacturers said they were planning to raise their factory gate prices over the next four months than in any February

Although stocks of finished goods were considered "more than adequate," the latest CBI

survey also contained evidence of destocking.

Mr David Wiggleworth, the chairman of the CBI's economic situation committee, said the falling number of companies expecting to raise prices was good news for the con-

sumer and the fight against inflation. But he warned: "With demand weakening, myfits are also being supered profits are also being squeezed and less money is being earned for investment, which is bad news for the future competi-tiveness of British Industry."

He repeated the CRI's call for "some inducement in next month's Budget" to encourage nanufacturers to maintain investment growth.

The CBI survey found total order books weakened slightly in February with 35 per cent of companies saying they were below normal against 18 per cent reporting above normal

The balance, which meastres the trend, was minus 17
per cent this month against
minus 16 per cent in January
and plus 2 per cent in February

last year. Overseas demand strength ened slightly, however, with 22 per cent of firms reporting above normal export orders and 21 per cent orders below

The positive 1 per cent bal-ance contrasted with a zero balance in January and negative monthly balances of between minus 4 and minus 14 per cent last year. London Business

### TUC keen to resume talks on health workers' pay

AS THE dust settled after marathon negotiations in the ambulance dispute, the Trades Union Congress yesterday said it was keen to resume talks with the Government on long-term pay arrangements for all National Health Service

The TUC health services committee has had periodic meetings since the early 1980s with health ministers on the issues of public expenditure, pay determination and arbitra-tion in the NHS.

The discussions were put on the back-burner at the begin-ning of the six-month ambu-lance dispute. But there was now no reason not to resume them, said the TUC: some of the issues raised during the dispute applied to all NHS staff. The TUC would like to see, in particular, an agreed system of conciliation.

Meanwhile, ambulance workers on Merseyside opposed to the nationallynegotiated deal were confident that an all-out strike planned to start today would be solid. Balloting arrangements throughout the country are due to begin today. Each of the five unions will be conducting

## Pearson negotiating for theme park

PEARSON, the UK conglomerate which publishes the Financial Times, is negotiating to buy Alton Towers, the Staffordshire theme park owned by Mr John Broome, for about CERM

about 250m.
The deal, which is due to be announced in about three amounced in about three weeks time, will allow Mr Broome to clear most of the debts on his beleaguered Battersea Power Station leisure development, in London, leaving him in sola control of the site with debts, according to one estimate, of between £10m and £15m. and £15m.

The sale is thought to have been encouraged by his backers on the Battersea project, a hanking syndicate headed by Security Pacific National Bank, which has already ploughed about £55m into the scheme to convert the power station into a pleasure dome.

The syndicate of four banks - Security Pacific, Long Term Credit Bank, of Japan, Bank of Nova Scotia, and Tokai, another Japanese bank - is in a powerful position to influence the deal since the banks have charges over the Alton Group which has cross guarantees on the Battersea project. Work on the art deco power

station, listed for its instorical interest, was halted by the banks 11 months ago and the

an empty roofless shell. The syndicate became nervous when site costs escalated and Mr Broome failed to attract a further £40m in equity that the syndicate had insisted upon to continue with the project. Mr David Cooper, a lawyer

representing Battersea Leisure, said the original plan for the power station had now been A far more extensive scheme, which retains the theme park concept for the power station, has been sub-

mitted to Wandsworth Council. Mr Cooper said new plans covered a 52-acre site encompassing British Rail's south London goods yard and Batter-

week. Some of the sticking

points at Chester were "prob-lems of presentation," Mr Jor-dan said. One example was the

wording on the company's need to use contractors in the short term. There also contin-

ued to be a problem about a small number of white-collar

workers for whom "an honour-

able and satisfactory settle-ment had to be found." Mr Jor-

sea Wharf owned by Parc Securities, part of Mr Werner Rey's Swiss-based Omni Holding empire. Mr Cooper said no firm agreement existed between the

three parties.

Any deal drawing in the enlarged site ... hinges on the granting of planning permis-

on. Pearson wants Alton Towers to add to its leisure interests within the Madame Tussaud group. Mr Frank Barlow, mangroup. Mr Frank Databy, man-aging director and chief operat-ing officer of Pearson con-firmed yesterday that negotiations were being car-ried out to buy Alton Towers. He refused to comment further or to confirm the price.

### Pressure to end BAe strike intensifies

PRESSURE to end the 17-week British Aerospace strike is expected to intensify this week in the run-up to a board meeting of the European Airbus consortium.

Talks are likely to resume between unions and manage-ment at the Chester plant where most of the Airbus pro-duction is based. The strike at Chester threatens to bring essembly of Airbus airliners at Toulouse, south-west France, to a standatill. At the end of last week the company said that it had received no communication from unions since talks were adjourned on

Rowever, Mr Bill Jordan, resident of the AEU engineering union, said that local union negotiators had made "con-structive amendments" to existing proposals and the ball was now back in BAe's court. Workers at Preston, Chester and Kingston-upon-Thames are striking as part of a national campaign by engineering unions for a 37-hour working

is due to meet on Friday when the BAe strike is expected to

top the agenda. Aerospatiale
the French state owned aerospace group which has a 37.9
per cent stake in the Airbus programme - will raise the issue of penalising BAe for the

An article in the Airbus stat-utes could make BAe hable for 40 per cent of the \$300m the strike has already cost the European consortium. BAe has so far claimed that the article The Airbus supervisory body did not apply because the strike was a case of force

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### Teachers to be balloted over pay and workloads

By Diane Summers, Labour Staff

will be balloted this week on proposals for a one-day strike over pay and workloads. Any action would be the first by teachers in three years.

The ballot follows a special salaries conference held at the weekend by the 118,000-strong National Association of Schoolmasters and Union of Women Teachers. About 300 delegates Teachers. About 800 delegates voted for the ballot. Mr. Fred Smithles, General

Secretary, said the action was to "put down a marker warning the Government that teachers have had enough". The
union also wanted to "focus
public attention" on the serious problems faced by the edu-

MEMBERS of the UK's cation system," he said, second-biggest feaching union. According to the union, this will be balloted this week on was the second year in succession that teachers in the classroom would end up with a pay ruit they would receive only
7.5 per cent across the year,
while the increase in the cost
of living had been running
beyond 7.7 per cent.
Teachers were awarded an

8.8 per cent rise by an interim advisory committee which reported earlier this month but it is to be implemented in two stages: the first on April 1 and the second on January 1 next

The National Union of Teachers, the largest teaching union is unlikely to join any strike action.

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Mr Martin Grüner Federal Ministry for the Environment, Nature Conservation & Nuclear Reactor Safety,

The Rt Hon The Lord Crickhowell
National Rivers Authority

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Madame Christine Morin-Postel Lyonnaise des Eaux ...

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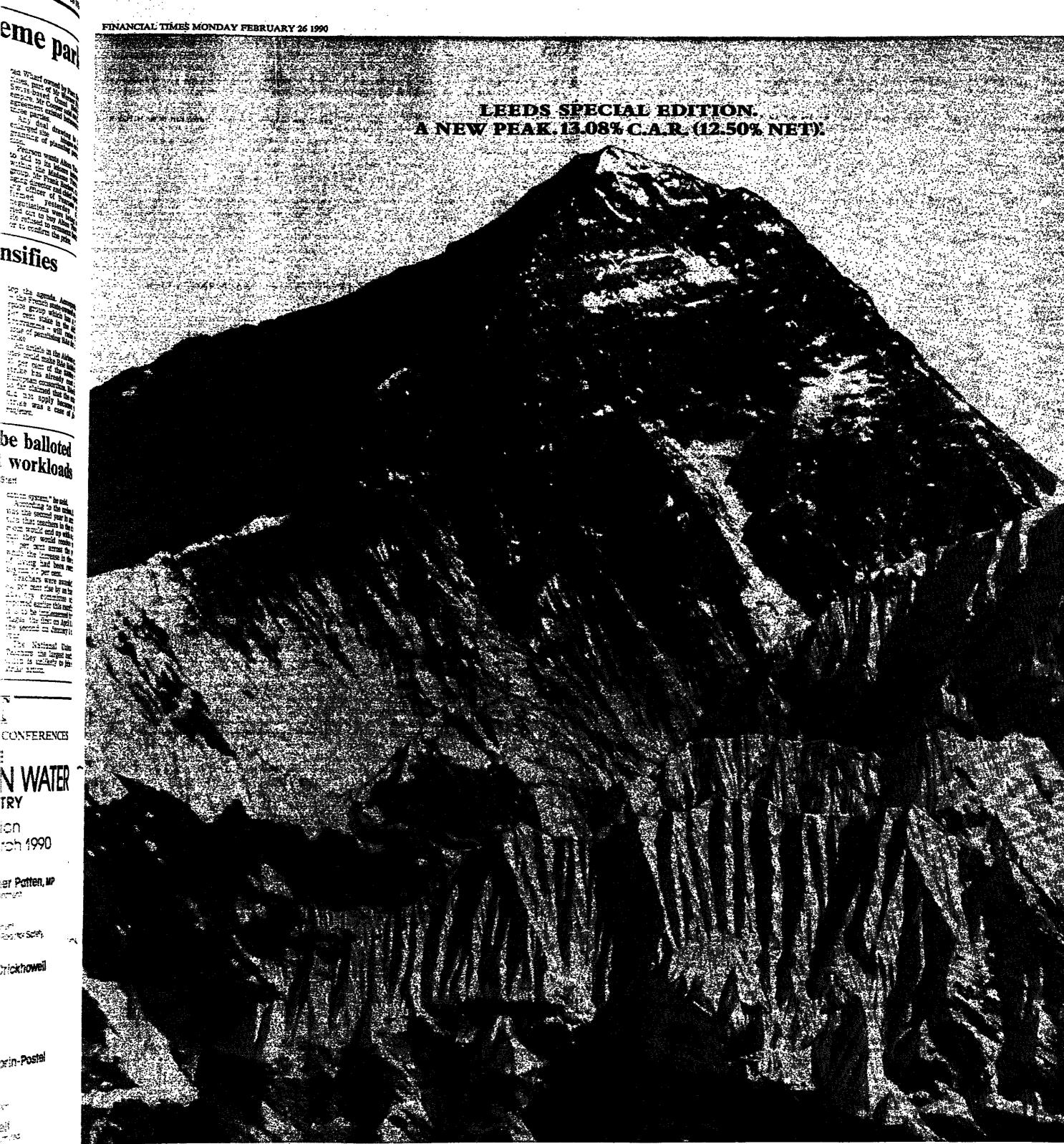
Mr Michael J Rouse Water Research Centre (1989) pic

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#### **UK NEWS**

### Blue Arrow shareholders find a shining knight

Eric Short looks at the career of the soft-spoken Scot who has led negotiations on behalf of investors

THE BLUE Arrow affair has left many in the City with tarnished images. One man who has not suffered, however, is Mr Donald Brydon, outgoing chairman of the investment committee of the National Association of Pension Funds. His reputation acquired an extra gloss last

Mr Brydon has been the leader of a team drawn from institutional shareholders negotiating with County Nat-West and UBS Phillips & Drew, the investment banks which acted as underwriters to the

Blue Arrow rights issue. For Mr Brydon the Blue Arrow negotiations represent a climax to two eventful years as chairman of a body which now manages assets of more than

His is a powerful voice in the City although it has hitherto been muted.

Mr Brydon, 44, is a soft-spo-ken Scot with a build that reflects his rugby-playing days. He is managing director of BZW Asset Management, part of the investment banking arm of Barclays Bank group where he is responsible for dealing with a wide range of clients and handling life and unit trusts as well as pension funds. He was the first chairman of the investment committee in many years to come from an

investment house. His experi-

ence at BZW may have given him a wider-ranging vision and deeper experience in dealing with people than would normally be acquired by an in-house pension fund investment manager — the usual background for chairmen of the NAPE investment NAPF investment

Negotiation for compensa-tion over the Blue Arrow issue started within days of the arrest of those at the centre of the affair.

The investment committee was receiving inquiries from members affected by the débacle who asked what was to be done. Mr Brydon's decision to take immediate action was characteristic of a man who, on his own admission, is a hands-on manager who believes in getting things done and dislikes waiting for others to take action.

His attitude was that "it takes time for the formal pro-cesses to achieve results. One can achieve better results quicker by using informal

The NAPF is powerful enough to act on its own. Yet one of Mr Brydon's early achievements in his chairmanship was the resurrection of the Institutional Shareholders' Committee – a move he made in conjunction with Mr Colin Parker who was then chairman of the investment protection

committee of the Association of British Insurers. The primary purpose of the committee was to act as a forum for communication between corporate manage-ment and institutional inves-tors. In Mr Brydon's words, "it was to show government that institutional investors not only accepted responsibility as shareholders but were pre-pared to do something about it."

The committee had already flexed its muscles over management buy-outs, issuing a statement of practice on MBOs reflecting the collective attitude of all institutional Expressing a consensus

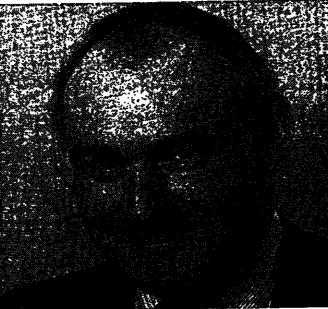
view on the subject will give that view much more force," explains Mr Brydon. The statement proved that the committee was a convenient mechanism through which to express such views. However, the Blue Arrow affair gave the committee a

chance to show what it could do collectively.

Any agreement reached in the negotiations - and Mr Brydon stresses that these are by no means concluded - will apply to individual shareholders who dealt on the market as well as to institutional

shareholders affected by Blue

act slowly. He says the Blue Arrow



Donald Brydon: responsibilties of institutional shareholders

nism at present for small shareholders to seek redress effectively," he said. Like many others, he feels that the complaints mechanism laid down within the financial services framework has yet to prove itself, and even if it does so it is likely to affair is an opportunity for the ISC to show that it can act on behalf of small investors as well as for large institutions, although he admits that in the present negotiations the ISC can only exert commercial

He says this is far more likely to produce satisfactory results than the legal and regulatory systems. Mr Brydon says going to the courts should be only a last resort.

Mr Brydon's chairmanship of the NAPF investment committee has ended and that of the ISC is due to end in June. He was asked to stay on as head of the negotiating team until the

needed no persuasion. He says that neither he nor the NAPF investment commit-tee intend to get involved in every problem that arises pro-vided an adequate solution is already available.

final deal was concluded. He

He quotes the Ferranti affair when members bombarded the investment committee with inquiries about what was being done. When the NAPF found that matters were already in hand, it stood by and kept itself informed. Mr Brydon saw no reason to interfere simply because the NAPF was involved.

Whatever the outcome of Blue Arrow, Mr Brydon believes the crowning success of his chairmanship was the production of the book Cre-ative Tension? reviewed last Thursday in the Financial Times. His book, he says, "will be around long after the Blue Arrow affair has been forgot-

The book represents the expression of all Mr Brydon's attitudes on collective share holder responsibility.

### Parkinson seeks Patten accord on traffic increase

By Ralph Atkins

MR CECIL Parkinson, Transport Secretary, yesterday backed a "practical" approach to tackling the environmental consequences of increasing road traffic, arguing that indi-viduals should be able to choose their preferred method

of travel. He confirmed that a Cabinet committee was considering proposals for making car travel more expensive, but said that such a move would be very impopular."

His comments on BBC Tele-vision's On the Record programine appeared to put Mr Parkinson at odds with Mr Chris Patten, the Environment Secretary, who foresees an active and interventionist stance on the environment by the Government.

Mr Parkinson implicitly admitted that disagreement existed about likely traffic levels in the 2020s. He said they had been put at 80 per cent to 142 per cent higher than now.

"I hope that he [Mr Patten] and I can agree on a set of figures around which we can both base our common policies and that is what we are working towards." He added that his aim was to

create a "range of options for people when they come to make their travel arrange-ments." The road programms

was not the only contributor—rail was also important.
But he said, "The public don't need directing. I'm creating a range of options so that an adult British public can enercise the option in a way that suits it, taking into account the economics and the environment."

The Government was invest-ing "fuge sums" in Britain's public transport system. Mr Public transport system, Mr Parkinson said. But it would be wrong either to expect that a large-scale shift towards rail was possible or to eraggerate the environmental gains.

The we doubled the use of the

railway we would reduce car-bon dioxide emissions by 3 per cent," he said. Mr Parkinson said invest-ment in British Rail would increase in real terms over the next three years to "a figure which the chairman of British Rail described as as much as we can practically manage."
But he emphasised that car
traffic was not going to step
growing. The UK had fewer
cars per flamsand people than
"virtually any other major
country in Europe" and the

level would rise as economic prosperity increased. He added that the Government wanted to get fuel efficiency back at the top of manu-

### **Decision next month** about Severn bridge

By Andrew Taylor, Construction Correspondent

MR Cecil Parkinson, Transport Secretary, must shortly make a decision on whether to use public or private money to finance the building of a 2600m - 2650m second bridge across the Severn estuary.

He must also choose which of two consortia will build the crossing at English Stones, three miles downstream from the first Severn Bridge. One of the consortia contains a leading French construction com-pany. The first bridge, built 23 years ago, has insufficient capacity to carry all the traffic generated by the much-improved economy of South

On the shortlist are John Laing, the British construction group, together with GTM Entrepose of France; and Trafalgar House, the British construction, property ship-ping and hotels group, with Balfour Beatty, the construc-tion arm of BICC, the British

engineering group. Mr Parkinson favours a private-sector solution, but he must first convince the Treasury, which inclines towards public investment in these matters. It feels that taxpayers' money is cheaper than that raised from banks and share-holders who expect interest

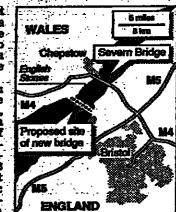
payments and dividends. The Treasury has been defeated on that argument before - most notably at Dart-

before – most notably at Dartford where Trafalgar House is building a privately-financed toll bridge across the Thames.

Treasury officials, however, insist that private-sector schemes should provide value for money at least as good as public-sector schemes. It compares the worth of privately-financed projects by calculating the net present value of the scheme to the promoter – based on a complicated formula involving procated formula involving proposed toll rates, traffic forecasts and the life of the

As far as the Treasury is concerned, the lower the net present value to the promoter, the better value for money for the country. That, however, could increase tolls, particularly during the early years of operations when the burden of private debt would be at its greatest.
Toll rates for crossing the

Severn are likely to be very sensitive politically, particu-larly for a Government which faces a potentially difficult general election and which is



anxious to attract voters outside its traditional southern heartland.

The existing Severn bridge is viewed by Weish businesses as an economic lifeline to the rest of the kingdom. It is also viewed as such by companies, particularly from Japan, which have been persuaded to estab-lish operations in South Wales. The temptation to choose the lowest-cost option could store up other problems if the proj-ect ran over budget and required refinancing.

That has already happened with the privately-financed

Channel tonnel. The site chosen for the new Severn crossing is much wider than for the original bridge and construction will take place in fast-flowing water. It will be difficult to engineer and that will increase the risk of cost overrun.

One of the consortia bidding for the building contract says the bridge will need about 40 piers sunk into the river bed, compared with just two piers for the existing bridge.

The difficulty of the choice facing transport officials is reflected by the fact that the

two groups on the shortlist have each proposed several options depending upon which direction the government

A private toll bridge would involve the successful bidder taking over the existing toll bridge and its debts of £120m. The likely life of a concession to a private more of a concession. to a private promotor is expec-ted to be 20 to 35 years. The Laing consortium may be the winner, as its bid is understood to be £40m to £50m lower than that from the

Trafalgar House group. But the decision, expected early next month, will not rest on cost alone.

#### Training level of travel managers is questioned By David Churchili, Leisure Industries Correspondent

MORE than three quarters of all corporate travel managers in the UK have had no formal training in travel planning.

according to a survey published by airline guide ABC World Alrways. The survey supports previ-

ous findings which point to the low status attributed to travel management by many British

companies.

"Three out of four travel managers we spoke to recognised that such training would be useful, enabling them to save their companies time and money," said Mr Jeremy Griffiths, publishing director for the ABC guide.

"It is oute astounding that

"It is quite astounding that

people whose role is to handle up to film worth of corporate travel arrangements for their companies have had no formal guidance on how best to management business travel for their executives."

An American Express survey published last year found, for example, that many companies gave executives cash advances to pay for travel and entertain

Some companies had up to \$250,000 at any one time tied up in that way.

The American Express survey said some of those companies found that relatively few middle and junior managers had corporate charge cards

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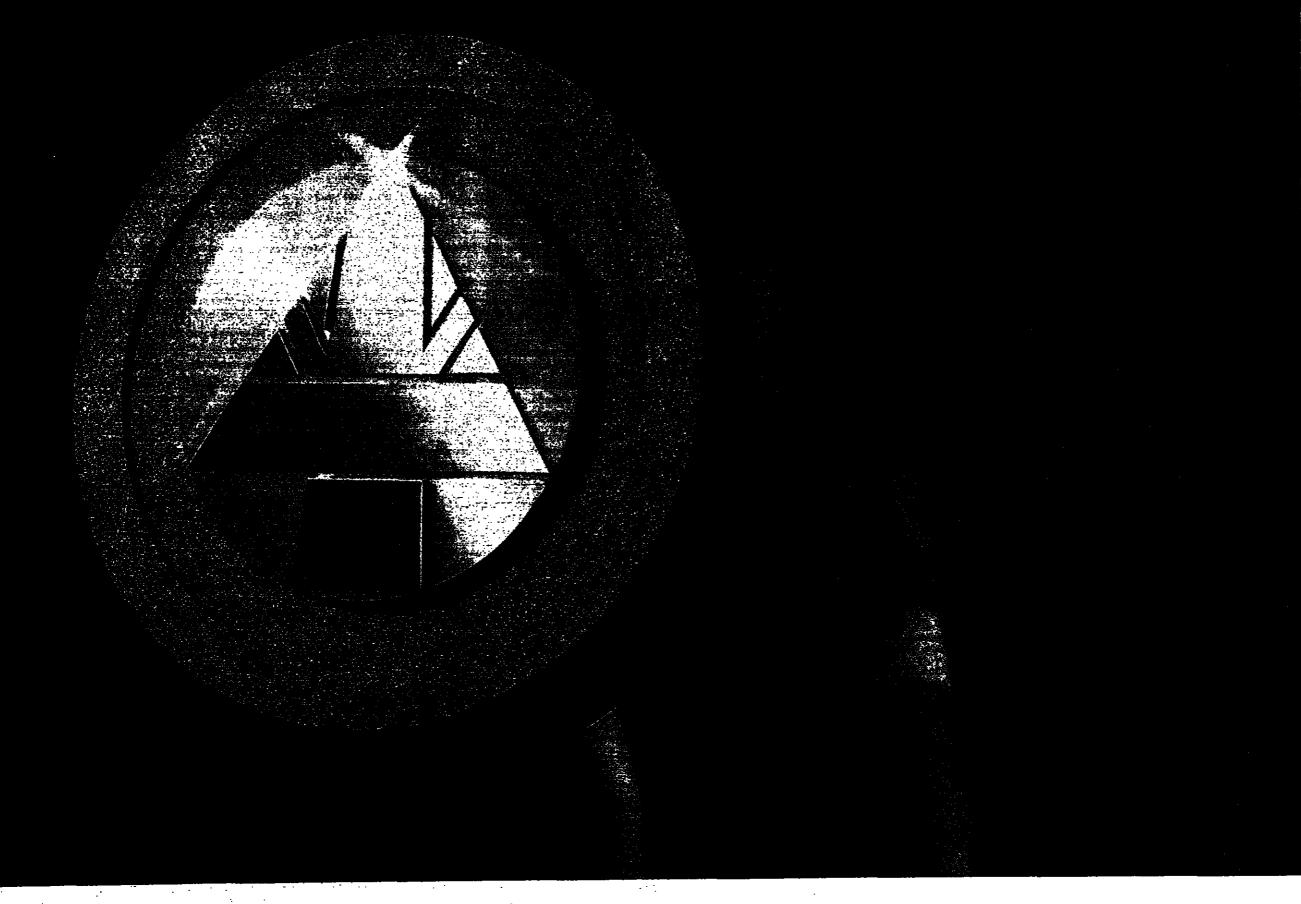
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BA begins drive to reverse decline in European network



BRITISH AIRWAYS has launched a

By Paul Betts, Aerospace Correspondent

three-year plan to improve the deter-iorating financial performance of its European operations.

These account for 40 per cent of BA's annual turnover, but contributed only £16m, or less than 5 per cent, of the company's operating surplus in 1988-89. That compared with

£81m, or 27 per cent, in 1985.

RA will try to restore the European network's profitability by developing a new "hub" in Brussels through its stake in the new Sabena World Airlines, and also by improving punctuality, in-flight and ground services, and

by expanding East European services. Mr Liam Strong, BA head of marketing and operations, said the decline in ing and operations, san the decline in the European network had been caused by the high costs of providing increased capacity and flight frequencies. Capacity increases of 44 per cent during the last five years have outstripped traffic growth of 29 per cent. Moreover, BA's margins had been squeezed because of the impact of increased competition on several high density surfect with subsequent high-density routes, with subsequent inadequate fare increases, Mr Strong said. BA has invested 234m in a 20 per

cent stake in Sabena, the Belgian air-

HE Conservative MP kicking his heels in the lobby of the House of Commons did not hesitate for an instant when asked what

Mr John Major should set as

his main priority in next month's Budget. There could only be one pri-

ority - winning the next general election.

option but to unveil on March 20 what by recent standards looks like a "boring Budget,"

his colleagues at Westminster believe that, in political terms,

it will be the most important

The sombre economic back-

drop leaves no room for the tax

cuts and the theatrical flour-

ishes so beloved of Mr Nigel

Lawson, whose acrimonious surprise resignation last Octo-

ber left Mr Major with the most testing job of his political

With the Labour Party

lengthening its lead in the opinion polls by the week, morale among Conservative MPs is perhaps at its lowest

ebb since the recession in the

Few have yet predicted a

Labour victory at the election due by mid-1992. For that

would require a swing against the government much larger

than anything seen in post-war

early 1980s.

for nearly a decade.

If the Chancellor has little

and the gradient of the second of the second

line, in which KLM Royal Dutch Air-lines has also acquired 20 per cent. BA expects to show a small loss from the venture in the first year, changing to a positive result in the second year.

The Sabena partners intend to launch a "hub and spoke" operation in the summer of 1991, feeding their short-haul European services into

long distance routes operated out of

Brussels.

The Belgian airport will also be connected to Manchester and Bir-mingham to feed traffic into BA's long-distance services out of these regional hubs. Sir Colin Marshall, BA

garet Thatcher's overall major-ity is at risk is no longer con-fined to the faint-hearted on the Conservative benches. "We could just lose," one minister

commented in a gloomy whisper this week.

tax, internal disputes over Europe and Hong Kong and a feeling that Mrs Thatcher's

unflinching approach on issues such as sanctions against South Africa threaten interna-

tional isolation, have all

Labour's progressive shift towards the centre ground of politics occupied for much of the 1980s by the SDP-Liberal Alliance, although derided by

ministers as "cosmetic," has dented the once unshakeable confidence that Mr Neil Kinnock was just not "elect-

There are too doubts among

Conservatives as to whether the frequently abrasive "con-viction" politics which brought the Government such success

during the 1980s will catch the

That has provoked talk of the need for a more "caring Conservatism," with extra

resources for public services such as health and education;

for money to take the mentally

disturbed and homeless off the

Such worries are the stuff of

streets of Britain's cities.

mood of the new decade.

able."

The bitter row over the poll

Major leads the fight for his party's survival

Philip Stevens finds traditional mid-term jitters among MPs turning into deep anxiety

at about the present stage of its legislative programme.

What has translated traditional jitters into deep anxiety is the worsening performance of the

economy and above all the sharp acceleration in inflation

and the accompanying steep

rise in mortgage rates.

A reputation for competence

in managing the economy is

the Conservatives' most pre-cious electoral asset. The hang-over left by the unsustainable

boom in 1988 has tarnished that reputation badly.

inflation-adjusted, incomes fuelled by a combination of tax

cuts, low inflation and low

interest rates has evaporated.

It has been replaced by a squeeze, with borrowing costs

now at record levels and high

inflation eroding the value of

Introduction of the commu-

nity charge, or poll tax, in England and Wales in April

will deepen the misery felt by

It is up to Mr Major to restore the shine. If he suc-ceeds, his colleagues argue, most other concerns will either

fade or be assuaged by judi-

cious increases in public

In spite of the circumstances

of his appointment, Mr Major has succeeded in creating con-fidence that the turn-ground is

pay awards.

many voters.

spending.

The sharp rise in real, or

chief executive, said the European destinations served by the new Sabena would increase from 45 to 75 destinations over the next four to five

years.

To take advantage of opportunities in Eastern Europe, BA is already boosting capacity on routes to Prague by 36 per cent, to Budapest by 26 per cent, and to Warsaw by 17 per cent. Among other moves to improve the

performance of its European operations, BA is planning to focus more on seiling tickets in countries on the Continent where the yields are greater than out of the UK, as well as

1990

toral cycle. Although he is only

46 Mr Major is regarded as one of the most skilful politicians at Westminster and regularly

tops the lists of likely succes-

aged to ride out a potential

storm of speculation against sterling and has blended judi-cious admissions of past gov-

ernment errors with confi-

dence that the present anti-inflation medicine works.

His political task in the Bud-

et is to produce a series of

balancing acts that reassure

Tory MPs and voters alike that

the present gloom — described only yesterday as "very seri-ous" for the government by Mr Kanneth Baker, the party charman — will begin to lift

by the end of this year.

There is little dissent from

the view that getting inflation

down is the key. Only if the pace of price rises slows can

Since October he has man-

sors to Mrs Thatcher.

BUDGET

launching programmes to gain a life-ger share of lower fare leisure travel.

Mr Strong said there were opportu-nities to improve BA's European in-flight services by providing more foreign newspapers and multilingual cabin crews.

Among planned improvements in ground services was a new lounge for business class passengers at Heath-row's Terminal 1 in April BA is also planning to experiment with valet parking for customers at Terminal 1. Rationalisation of the short-haul fleet is also expected to benefit overall performance in Europe.

in interest rates — and above all mortgage rates — which they believe are essential to

ensure a fourth term in office. That means that Mr Major

will not be criticised for a fis-cally neutral budget. There is little enthusiasm, however, for any move to raise income tax.

even by freezing personal allowances rather than increas-

Such action, many Conserva-

tives fear, could damage morale seriously. If the focus of

Mr Major's judgment must be

the state of the economy in a year or so, he cannot ignore totally the current acute dis-

quiet among his supporters. He faces demands to soften the edges of austerity with

other popular and relatively

inexpensive measures. Tax incentives for workplace nurs-eries, further encouragement

for personal and measures to

demonstrate the Government's "green" credentials have all

been included on lists handed

to Mr Major by hopeful Tories. Mr Major's first task, how-ever, is to-convince Tory MPs

and voters alike that a tight

grip on the economy this year will allow him to restore the fortunes both of the economy

and the Government by 1991.

ing them.

### NEWS IN BRIEF

### French link in water venture

NORWEST Holst, the British construction company and Omnium de Traitements et de Valorisation (OTV), the French water company, have launched a joint venture company to be called General Water Pro-

The company will provide services to Britain's recently privatised water industry. OTV is one of an increasing number of French companies which have sought to break into the British water industry. French water services have been provided by private sector companies for many years.

#### Timeshare move

WIMPEY Leisure, a subsidiary of the George Wimpey con-struction group, said it was pulling out of the Timeshare Developers Association follow-ing a review of its "relevance to existing and potential cus-

It follows the decision by Barratt International Resorts, to pull out of the TDA

### SE Topic change

TOPIC, the Stock Exchange's news and share price information system is getting a facelift. It is aimed at improving the reliability of the 10-year-old system and extending the range of services available on screen to its 15,000 users.

#### Talisman link

THE International Stock Exchange has taken the first step towards paperless settle-ment by extending its existing Institutional Net Settlement system. The new version provides electronic links between institutional investors and the exchange's central settlement . system, Talisman.

#### FSA deadline

THE 100 investment firms which still have not gained full authorisation under the Financial Services Act - nearly two years after the act took effect - must make it clear to their clients from March 1 that they are not covered by the FSA

are not covered by the FSA compensation scheme. Firms in this position have to date only had to show on their letterhead that they have "interim authorised" status.

#### **Boost for Eminase**

SMITHKLINK Beecham, the Angle-US pharmaceutical and drugs company, said test data indicated that Eminase, its blood anti-clotting drug, was reducing the mortality rate of heart-attack patients over a

longer period.

The final report of the Apsac Intervention Mortality Study Group published in The Lancet found that patients injected with Eminase were 43 per cent less likely to have died 12 months after their heart attacks than patients who had not received the drug.

### FRC appointees

THE Department of Trade and Industry is expected today to announce a handful of top appointments to the Financial Reporting Council (FRC), the body which this summer will body which this stander will take over responsibility from the Accounting Standards Committee for the setting of accounting standards in the

Today newspaper, has appointed a former editor of the Sunday Mirror as the paper's ombudsman.

Mr Bob Edwards, who was also once deputy chairman of Mirror Group Newspapers, starts his duties today.

### Labour opens fresh attack on Government

By Ralph Atkins

LABOUR yesterday launched a fresh attack on the Government's handling of the economy as opinion polls gave it a commanding lead over the

A series of statements and speeches by senior opposition spokesman sought to exploit Government embarrassment about the unpopularity of high interest rates and the poll tax. The onslaught is likely to be renewed on Wednesday when trade figures are expected to

show a current account deficit of more than £1bn in January. Mr Kenneth Baker, Conservative party chairman, said the results of two opinion polls were "disappointing." The Sunday Times/Mori survey gave Labour a 17 percentage point lead over the Tories. An Observer/Harris poll put it 12

Speaking on BBC Radio, Mr Baker said the Government was suffering because of the consequences of anti-inflation strategy. "If we were to change course now on our economic policy and do things that might be considered popular, then that would be very bad for the country in 1991 and

He added: "We have never run away from our problems as a Government."

But Mr Gordon Brown, Labour's trade spokesman, cited an interview with the Prime Minister in The Sunday Times as evidence of the economic "incompetence" of the

her ambition was to "catch up with France," Mrs Thatcher had admitted that economically Britain lagged behind the French and was far behind the

In her interview, the Prime Minister said the inflation trend was downwards and the economic outlook was "good." Mr Brown responded: "Her self-satisfied and complacent stand on interest rates and the poll tax shows that even when

the country believes she has gone too far she is still seized by the obsession she has not yet gone far enough."
At the same time Ms Margaret Beckett, a Labour treasury spokesman, published the results of a survey showing the impact of increased electricity, gas, and water costs, rising rail

and tube fares and higher mortgage rates. She said the Government was scoring inflationary "own goals." A family with two adults living in their own home and commuting to work would be between £9 and £27 a

week worse off. Mr Gerald Kaufman, shadow Foreign Secretary, said Mrs Thatcher's isolation on inter-national issues was causing serious damage.

"Her insistence on opposing the views of our allies and partners in international organisations can mean less trade, fewer jobs, a vuinerable sterling exchange rate and therefore higher interest rates and higher mortgages," Mr Kaufman said in a speech in

Bolton. Government embarrassment over the poll tax was intensified by comments by Mr Michael Heseltine, former Environment Secretary and likely future contender for the Conservative Party leadership. Speaking on TV-am, he said: "I was always convinced that we should not proceed with the

poll tax once we had looked at

### it in depth in the early 1980s." Scottish Labour Party executive votes for PR

By James Buxton, Scottish Correspondent

THE EXECUTIVE of the Labour Party in Scotland voted yesterday in favour of an elec-toral system based on propor-tional representation (PR) for any future Scottish parliament or assembly.

The executive's decision, taken on a series of casting votes by the chairman of the Scottish party, Mr Mark Lazarowicz, at a meeting in Glas-gow, will be put to the annual conference of the Labour Party in Scotland next week. The executive declared that

the first-past-the-post system, under which Labour won nearly 70 per cent of the Scottish seats at Westminster with only 42 per cent of the vote in the 1987 general election, would not be acceptable for a Scottish parliament. Such a system placed formidable barriers in the way of smaller par-

There should be a system under which seats won by any party should reflect the votes cast, while preserving, as far as possible, a link between indi-vidual constituencies and

The issue of PR has come to a head because the Scottish constitutional convention, a body drafting a scheme for a devolved Scottish parliament or assembly, will be dealing with the issue of electoral systems in Anril

The Social and Liberal Democrats are insisting on PR as a condition of their staying in the convention, of which they and Labour are the only signif-icant parties involved. A split on voting systems could cause the collapse of the convention. Several trade unions in Scotland back PR, notably the Transport and General Work-

### history. However, recognition at least of the possibility that Mrs Mar-**Anglo-Irish** assembly

criticised By Raiph Atkins

A FORMAL assembly of British and Irish parliamentarians starting in London today was dismissed as a "social occasion" yesterday by the leader of Northern Ireland's largest

unionist party.
Mr James Molyneaux also confirmed that the Official Unionists would boycott the meetings because of the party's objection to the 1985 Anglo-Irish Agreement.
The Anglo-Irish Inter-Parlia-

mentary body will consist of 50 representatives from Britain and Ireland and is intended to strengthen links between the two parliaments.

The opening ceremony today, to be addressed by Sir Geoffrey Howe, deputy Prime Minister, will mark the first time Irish MPs have taken part in a meeting at Westminster for more than 70 years. Speaking on BBC Radio, Mr Molyneaux criticised the body as being "very entertaining, I suppose, for those members of

Parliament who have time to devote to those kind of social occasions," but said it did not achieve very much. This was attacked as "absolute rubbish" by Mr Peter Temple-Morris, Conservative MP for Leominster and

co-chairman of the body. He

described the organisation as a "working body" which would

#### possible within the tight time schedule imposed by the elecvirtually every administration Interest rate cuts seen for 1991

THE GOVERNMENT will maintain a policy of high interest rates for most of the current year, risking recession in order to fight inflation and improve the current account deficit, the London Business School forecasts today. The Chancellor will offer a

neutral Budget next month, as he has little scope for policy relaxation. But he will be forced to cut interest rates repeatedly in 1991-2 in order to reach 10 per cent in time for the next general election, the LBS says.

In its latest economic outlook the LBS says that political expediency will dictate a cut in interest rates to 14 per cent by the third quarter, although such a move would run counter to sound economic policy. It believes a cut would interrupt progress on inflation and the current account.

"Electoral considerations will be at least as important as macro-economic criteria," it predicts. Sterling will retain its current strength until the base rate cut at the end of the year, profiting from the political

uncertainty in the two Germanys.
The business school says that the economy has entered a growth recession - near stagnation but without an absolute decline in output. It predicts that unemployment will rise to

1.72m by the end of the year and that the core rate of infla-tion will stay at 6 per cent.

**ECONOMIC FORECASTS** 1989 1990 1991 1992 72 Consumers 1.6 2.2 Total Fixed Gen Govt Consumption Stockbullding 12 **Exports** Sterling index Current Balance (2bn) -20.4 1.7 1.7 1.8 nployment (UK,m) 1,8

Source: Economic Outlook 1969-1983, February 1990.

But in contrast to the trend of recent years, 1990 will be outstanding for the growth in exports. Since 1985, domestic demand.

has driven output, and net exports were negative for four years running. The current account deficit will drop to about £13bn until 1992, or about 2 per cent of GDP. However, the effects of tight

monetary policy will be offset by rising real disposable income – which the LBS fore-casts to rise 2 per cent this year. New borrowing has dropped sharply, and consump-tion is set to rise only one per cent this year, so the savings ratio should rise slightly, it

Against a tighter policy

background than it had previously envisaged, output is forecast to grow only 1 per cent this year, and 0.6 per cent if the rebound in oil output is

However, as policy is relaxed before the election growth will pick up and there will be a strong "rebound" in demand and output.
In 1991-2 manufacturing

growth will rise to 4 per cent because of buoyant markets for exports. The private service sector will bear the brant of the long-awaited slowdown in consumer spending.

Economic Outlook, Vol 14, No.

5. Gower Publishing, Gower House, Croft Road, Aldershot, Hampshire GU11 3HR. Annual Subscription £150.

### The first test of whether he has succeeded will come uncomfortably quickly in the Mid-Staffordshire by-election scheduled for March 22, just two days after the Budget. Momentum for taxing

By Rachel Johnson

THERE IS no go economic argument for a fiscal tightening in the Budget to give scope for relaxation later, the LBS says. There is, however, a political momentum towards the idea of pricing the environment, or taxing pollu-

The Chancellor should present a neutral Budget in macro-economic terms and focus on microeconomic tax reforms which might feature a carbon tax, the LBS suggests. Mr Scott Barrett, a lecturer

at LBS, has reached estimates of the taxes needed to achieve a reduction in UK carbon diox-ide emissions by 20 per cent by 2025, the target set by the 1988 Toronto conference. His estimates - a 41 per

cear tax on cear, as per cent on oil, and 25 per cent on gas— reflect the fact that people will switch to non-taxed or lesser-taxed fuels. The point of the tax would be to make fuel users aware of and make them pay for the damage they are inflicting on the environment. Mr Barrett argues, however, that a more successful way of protecting the environment would be a small carbon tax, intended not so much to reduce emissions as to raise revenues. The money would be used to help protect remaining tropical rain forests, and help pay for fund reforestation.

## pollution

cent tax on coal, 33 per cent on

### Today's ombudsman David Montgomery, editor of

### Litigation puts Lloyd's reputation at risk

have a "unique" role.

Patrick Cockburn on the effect of legal action and natural disasters on the market

OR more than a year, dissident members of Lloyd's of London, the insurance market, have waged a campaign in the media and the courts seeking redress for losses suffered in the market, most of which stem from heavy pollution and asbestos

claims in the US.

The culmination of this will come this week when 865 members of Lloyd's who belonged to syndicate 317/661 in 1982, managed by RHM Outhwaite, serve writs in the largest single level action in the largest single level action. serve writs in the largest single legal action in the history of the market. The members, or "names," who lost £304m, allege negligence by Mr Outhwaite and hold responsible for his actions 81 members' agents who introduced members to the syndicate.

Lloyd's seems to be taking fire from every direction. With 410 underwriting syndicates, each capable of producing a drama or a crisis, the market makes a lot of news. Yesterday a US congressional report accused Lloyd's of not checking up on a Mr Carlos Miro, a Cuban born insurance agent writing phony policies, who

used his position as one of in the US. Asbestos claims 28.386 Lloyd's members as an alone could ultimately cost 28,386 Lloyd's members as an "advertisement for his respectability." Many of the cases are

extraordinarily complex. How-ever, there is no doubt that the wave of litigation and bad publicity, some of which has nothing to do with asbestos or pollution, is doing significant damage to Lloyd's image. Earlier in the month in the High Court in London Mr David Becker, a 60-year-old architect and a member of Lloyd's who was described by his counsel as "neither rich nor well," reached a final settlement over losses of £120,000 he suffered when Oakley Vaughan (Underwriting) crashed in 1983 - the first such firm to go into receivership in the 302-year history of

A few days earlier Mrs Lee Shepherd, whose father-in-law had introduced her to Lloyd's in 1979, met some 70 other members of Pulbrook syndicate 90 to see what they could do to stem the losses they are suffering as a result of heavy ashestos and pollution claims

them \$250m (£146m). Litigants against Outhwaite include Mr John Ritblat, chairman of British Land, Mr Robert Maxwell, chairman of Maxwell Communication, and Mr Patrick Sheehy, chairman of

BAT industries.

The difficulty from the Lloyd's point of view is that publicity is a central aim, rather than a side effect, of much of this legal action. The big cases will take years to come to court and accusations of negligence will be difficult to prove. Therefore the most immediate leverage possessed enough of a row to embarrass Lloyd's into rescuing them by some form of reinsurance life-

Aggrieved "names" are aided by the memory of past Lloyd's scandals. The executive of Lloyd's may protest that lifeboats were launched to aid vic-tims of fraud, as in the Sasse or PCW affairs, and are not appropriate for underwriting error, however gross. But the market's record of scandal is

bad enough for the media and many Lloyd's members to be suspicious when anything goes wrong. The record includes the Savonita affair in 1974, when cars ostensibly burnt in a shipboard fire were discovered being driven around in Italy, to Alexander Howden in 1982 when the company's new owners found \$55m (£32.4m) missing.
It is doubtful if there is

enough support in Lloyd's to pay for an effective lifeboat. That would require room not just for Outhwaite and Pul-brook syndicates but for all the brook syndicates but for all the syndicates with so-called open years — years when the figures, usually losses, are too uncertain for accounts to be closed. Sixty-eight syndicates, incorporating 45 per cent of Lloyd's members, have a total of 115 commencer content at the content of the cont of 115 open years outstanding. None of this has had much effect on the ability of Lloyd's to insure risks. Membership was down by 2,570 this year, but capacity was almost unchanged at £10.8bn. Syndicates are now using only some 65 per cent of their capacity

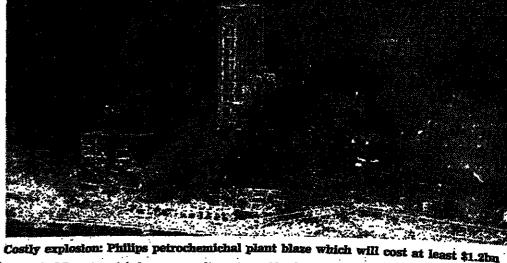
drop in membership is explained partly by this year's increase in the means members must show from £100,000 to £250,000. The tax advantages of being a member of Lloyd's are less attractive than they were 10 years ago, although members still benefit from being able to use their money twice: because they retain its use while providing capacity for the market.

In the longer term, however, the real danger for Lloyd's is that the asbestos and pollution claims resulting from US court decisions will turn out not be isolated disasters for insurers isolated disasters for insurers and reinsurers — those with whom insurers lay off a proportion of their risks. Lloyd's has always depended heavily on the US and is therefore peculiarly vulnerable to changes in the legal and political environment, and almost all such changes during the 1980s were damaging to the

insurance industry.
There is little Lloyd's can do about this. The big UK insurance composites have also had to ensure substantial reserves



The second threat to Lloyd's is that it is the riskler end of the insurance business which ments. By 1993, 40 per cent of commercial insurance needs



don United Investments' share price has dropped from 400p in 1986 to 36p because of fears about its vulnerability to claims in the US.

ends up in London. The trend is for hig companies to meet more of their insurance needs themselves through captive insurance companies, retention of risk and pooling arrangemay be met outside the com-mercial market.

That makes the market more vulnerable to a series of disasters. There were few of those in the mid 1980s. But since Piper Alpha in 1988, the worst offshore disaster to hit the insurance industry, there has been a series of disasters: Hurricane Hugo, the San Francisco earthquake and explosion at the Philip's petrochemical plant in Texas which cost at

The problems of Lloyd's are

little different from those faclittle different from those facing commercial companies.
Both sectors can absorb disasters: the real damage comes
when, in spite of heavy losses,
insurance and reinsurance
rates stubbornly refuse to go
up because of overcapacity.

Given that Lloyd's works on
three-year accounting, the full

three year accounting, the full effect of 1988 and 1989 will take time to feed through. When it does it will do more damage to Lloyd's than the present wave

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### PUERTO RICO - SPRINGBOARD TO THE AMERICAS BRITISH CORPORATE INVESTMENTS TOP £290



**BREAKING GROUND IN PUERTO RICO** 

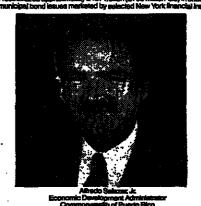
TOURISM INVESTMENTS SOAR; SERVICE INDUSTRIES EXPANDING

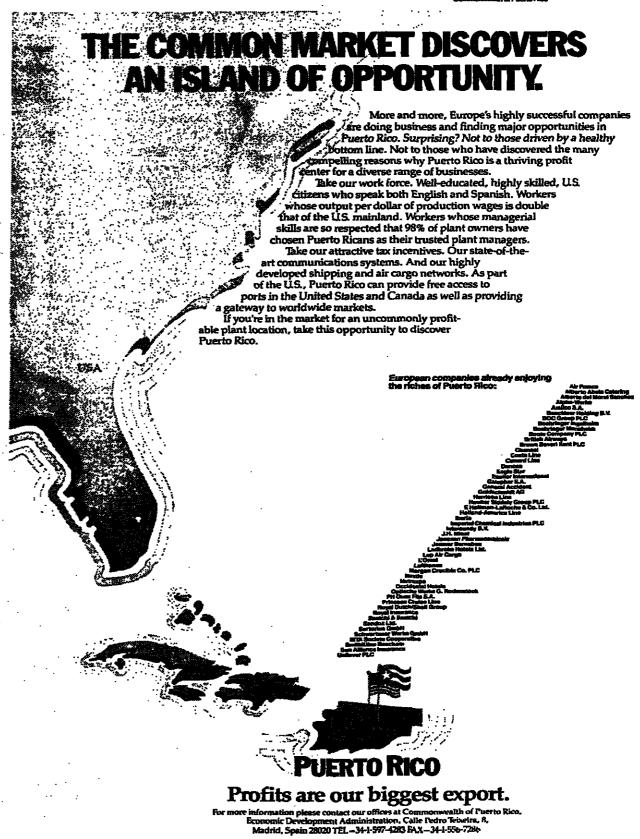
New investments approaching £1.16 thousand million (\$2 billion-US) will expand Puerto Rico's available hotel rooms and tourist industry infrastructure dramatically over the next decade. Projects under construction and announced commitments by US, European and Far Eastern business interests are expected to add 5,000 new units to the island's existing inventory of some 8,000 rooms in three-to-five years.
Investors are responding to favorable tax incentives

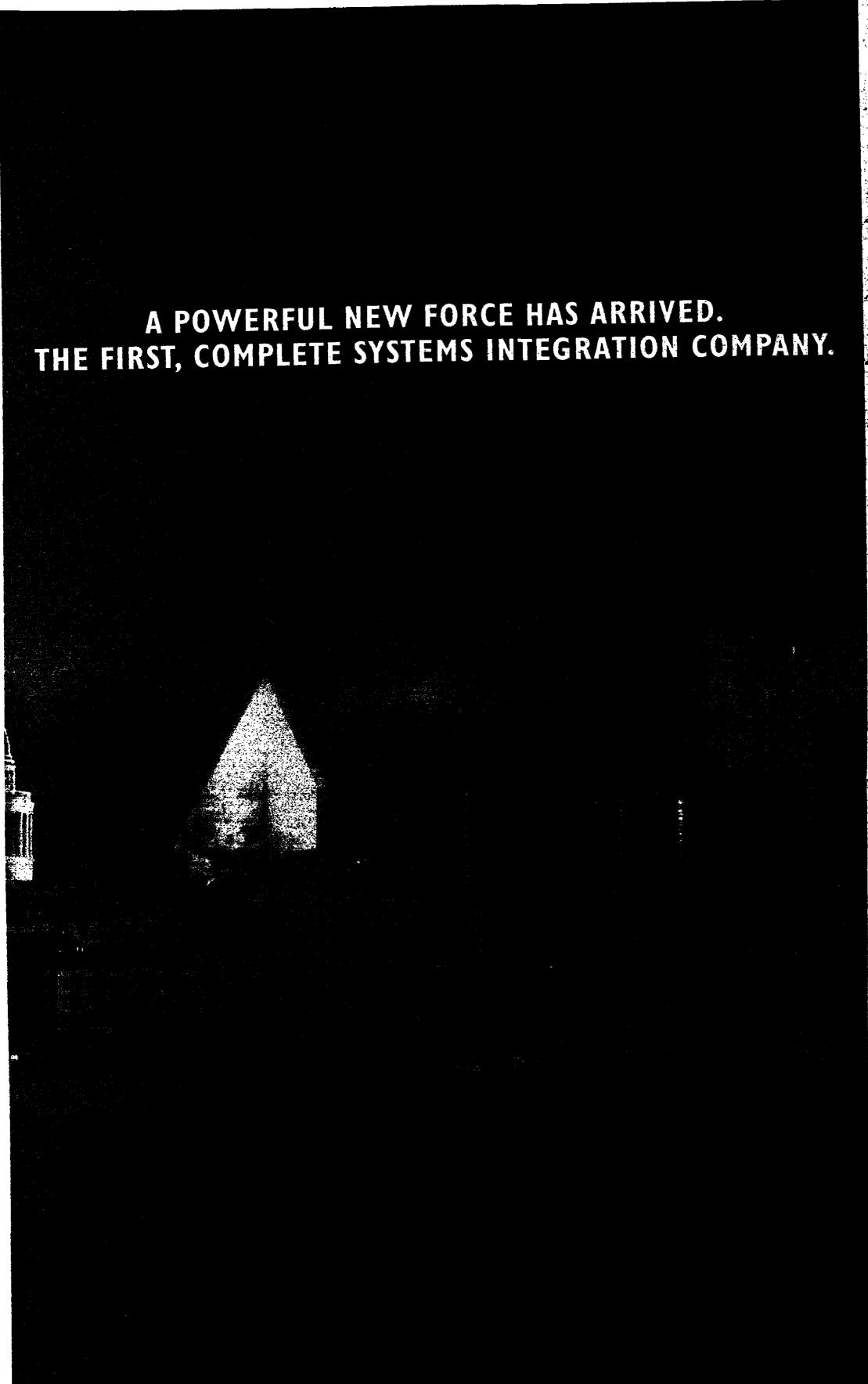
and other inducements to participate in Puerto Rico's tourist bonanza. In fiscal 1989, ended June 30, more than three million visitors, including close to 800,000 cruise ship passengers, came to the island. For the second consecutive year, tourist expenditures surpassed £581 million (\$1 billion-US). Puerto Rico is the airline and cruise-ship "crossroads of the Caribbean," making San Juan, its historic capital city, a major destination in the region. Contributing to Puerto Rico's tourist boom is Ladbroke Group PLC, which now operates the Caribe Hilton Hotel in capital San Juan and its sister hotel, the Mayaguez Hilton, overlooking the fabled Spanish Main on the western end of the island. Ladbroke made an outright decision to purchase Hilton International and its world-wide properties and operating contracts as "an investment opportunity, according to Rupert E. Huber, Vice President for the Caribbean and Latin America. Other British companies taking a role in Puerto Rico's tourism and/or transportation business include the following:

British Airways, which has expanded service from England to Puerto Rico to two weekly flights; Albert Abela Corporation, the world-famous catering organization, which now operates at San Juari's Luis Munoz Marin International Airport, the Cunard Ltd., the pioneer in San Juan's growing cruise ship business, now linking European charter flights with its Caribbean tours; the Harrison and P&O shipping lines and Lep, a British air cargo organization, and other service and sales businesses.

Meanwhile, long-established and new British companies are handling a substantial volume of insurance business in Puerto Rico either directly or through local agents or affiliated firms. Among these companies are: General Accident, Royal Insurance, Alliance Insurance, Eagle Star, and J. H. Minet, the latter seeking qualification to do insurance adjusting business in Puerto Rico.







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#### MANAGEMENT

Mobile communications

### How Motorola plans to cut off its competitors

10

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1986

Hugo Dixon explains how the American manufacturer is drawing on expertise from different divisions as part of an attempt to increase its pioneering lead in cellular telephones

Total industry profits

lmost all the attention in the current worldwide craze over mobile communicavice companies such as the tions and the US's McCaw Cel-lular Communications. But the single group which stands to gain most out of the mobile revolution is not a service company at all, but a manufacturer

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The US electronics group pioneered the world market for mobile communications equip-ment and still dominates it. It has supplied 81 per cent of the network infrastructure used by cellular service companies around the world: switches, software and radio transmitters. It has also made about a quarter of the handsets used

Motoroia's general systems division, which is mainly made up of its cellular businesses, had sales of \$1.9bn in 1999 — a 73 per cent increase on the previous year. Operating profits shot up an extraordinary 218 per cent to \$340m. Although the division accounts for only 20 per cent of group sales, it has already overtaken semi-conductors and radio communications – Motorola's two previous mainstays.

The division's success has been built on its commitment to invest huge sums in research and development, aggressive worldwide marketing and attention to manufac-

turing quality.

A ballmark of its competi-tive strategy has also been its termination to pursue mercilessly through the courts or in the corridors of power any rivals that it thinks are stealing its patents or dumping products at below cost.

The mobile market is still in

its infancy. "I would be sur-prised if it didn't grow by 30-40 per cent compound over the next ten years," says George Fisher, Motorola's new chairman. "That is in dollars. Unit volumes would grow even fas-

If the company can defend its global market share against all comers — notably the Japa-ness — over the next decade, it will not just be sitting on a goldmine. It will also be accom-

plishing a competitive feat which most other western industrial pioneers have signally failed to achieve.
But Motorola does not

merely want to keep its market share; it intends to increase it. "I believe it is our hirthright.
We ought to have 100 per
cant," says Bernard Smedley,
who is in charge of the group's
cellular infrastructure operations. Fisher agrees. "We have built up a core compe-tence that is so far in excess of anybody else that we would be very difficult to dislodge... We happen to be in the right busi-ness at the right time. Given legitimate competition, we are not going to be chucked out of

All this may sound beastful. It may even sound complacent, given Motorola's experience in the 1970s and 1980s of being driven first out of television manufacturing and then out of the memory chip market by Japanese competitors.

But, says Smedley: That was the old days. That was before we learnt what the ball game was. You are now looking at a global organisa-The key to Motorola's suc-

cess in mobile communications has been its sharp focus on the market. It was one of the first market. It was one of the lirst companies to perceive the importance of technology – together with American Tele-phone & Telegraph it was jointly responsible for invent-ing cellular technology in the early 1970s, and has invested \$400m in research and develop-ment since then ment since then.
AT&T supplied most of the

infrastructure to the Bell oper-sting companies which, at the time cellular started in the early 1980s, were its subsidizries. The ease with which it could make sales led to complacency, and the fact that AT&T was a vast organisation with many conflicting priorities led it to take its eye off the

Motorola, on the other hand, had to work hard to win orders. The fruits of this more aggressive approach became apparent last year, when it per-suaded Pacific Telesis, the most successful of the Baby Bells in the cellular market, to the out AT&T equipment and



are still learning the rules of the game. We are just not yet in the position to spot the

opportunities. We may yet regret that." However, he thinks it is not too late to catch

up: "I don't feel the ship has

already left the dock and that's the only sailing."

Canada's Northern Telecom made a similar mistake of failing to go global, leaving Sweden's LM Ericsson as the only other places exceptation world.

other player competing world-wide in the infrastructure side

particular strength in Western

However, Motorola has recently been building up its

presence in Europe, winning four orders to supply testing equipment for the new pan-Eu-

ropean cellular service. One

covers Sweden, Ericsson's back

The US group has a further advantage in being the only company to be a major player in both the infrastructure and

handset sides of the market. Its main rivals in making cellular

Nokia-Mobira Total systems awards 704 Sources: Celtular Business Monthly, Europ Communications Monthly, Monthly EMC World Celluler Report, Quarterly FinTech Mobile Communications, Bi-Weekly Calkdar operating companies.

replace it with Motorola infrahandsets are the big Japan electronics groups such as NEC, Matsushita and Toshiba. tructure.

Motorola also perceived the need to compete on a global basis in order to spread across as many markets as possible But the fact that they are barely involved in the infra-structure side means that its massive R&D spending.

AT&T, on the other hand, was content to supply the domestic market. Tom Powers, head of Motorola always has an edge over them in knowing at an earlier stage where the tech-nology is heading. On the other hand, Ericsson AT&T's mobile operations, admits this was a mistake. "We

is siming to make up lost ground in the handset market via a loint venture with General Electric of the US. It is too early to know how much sucthe cellular division to design products that are smaller and ighter than their rivals'.

1987

The division has also gained from a commitment from the top to invest whatever sur money are needed to make a success out of the new market. "I put my money where my mouth is," says Fisher, who was a researcher at AT&T's Bell Labs working on mobile communications before he joined Motorola 13 years ago.

If the company can defend its global market share against all comers it will be accomplishing a competitive feat which most other western industrial pioneers have signally failed to achieve

cess it will have. Motorola's two other main divisions - radio communications and semiconductors have been valuable in providing a base for developing the group's expertise in mobile

The cellular division originally grew out of the radio communications division; there is thus a considerable overlap in technology. Moto-rola has also transferred engineers from the radio division to work in its cellular operations – given the worldwide shortage of radio communications experts, this is a great advantage. Its expertise

apparent right through the organisation - evidence of Motorola's distinctive corporate culture. Fisher defines this as "a fierce desire and

sense of winning. We don't like

An example of how the group's technical expertise and sharp focus led to a competitive advantage is its develop-ment of the Microtac, a pock-et-sized cellular bandset which is still the smallest in the world more than a year after it was launched. Under its original plan.

Motorola would not have produced a handset as small as the Microtac until 1993, says

1988 Robert Weisshappel, who was responsible for the project. However, it decided to rush through the developme order to extend its lead over the competition.

General systems products (A)

This involved harnessing the skills of engineers in other parts of the group who were working on semiconductors, ceramic filters and so forth.

We were able to rally the whole company," says Weisshappel.
These strengths alone, how-

ever, might not be enough to inspire confidence in Motoro-la's prospects to retain its lead in the field of mobile communications were it not for the fact that the company has learnt three important lessons from its earlier tangles with the Jap-

The first lesson is to give priority to improving poor quality manufacturing. Whereas ten years ago there was a gap [between Motorola and the leading Japanese com-panies], today that gap is closed with respect to most companies. In some cases, Motorola is ahead of our best competitors," says Fisher.

The group's quality goals are expressed by a desire to reduce detects to the equivalent of one in every 300,000 operations. Motorola received recognition for its success in moving towards this goal when the DS Government gave it the first Malcolm Baldridge National Quality Award in 1988. In its quality drive, Motorola has adopted many of the tech-niques that have been made famous by Japanese manufac-turers: making design and manufacturing engineers work together so that new products are designed with manufactur-ing constraints in mind; taking a pro-active approach to improving quality on the production line instead of waiting

for things to go wrong and then trying to find out why; and educating component sup-pliers to carry out their own quality controls. An even more important approach has been to communicate to employees and managers in a simple and effective way what the goals of any particular project are. "We are providing them with a vision of why we need to do it and with the tools to do it," says Rick Chandler, director of manufacturing for cellular

infrastructure. The effect of this programme has been to cut errors and manufacturing times dramatic-ally. It takes less than an hour to manufacture a Microtac, while it would have taken two weeks using the old manufac-turing techniques. And Chandler says he can deliver a radio base station to a customer a week after it is ordered. It would have taken 12 weeks three years ago. The second lesson is that, in

order to compete globally, huge efforts are sometimes needed to prise markets open. This explains why Motorola last year harnessed the US Government's energies to help it force open Japan's cellular market in what became a bit-

ter trade dispute. The group is now supplying cellular infrastructure to one of the two private companies competing with Nippon Tele-graph and Telephone and Smedley says he would be amazed if Motorola did not win the other private company's business. The group also hopes that even NTT will choose it to supply base stations.

It also explains why Motorola has been so aggressive in bringing anti-dumping actions against Japanese manufacturers for selling cellular handsets in the US and Europe at lower

prices than they were charging at home. Both actions were set-tled after the Japanese companies agreed to set up local manufacturing plants. We cannot allow other com-

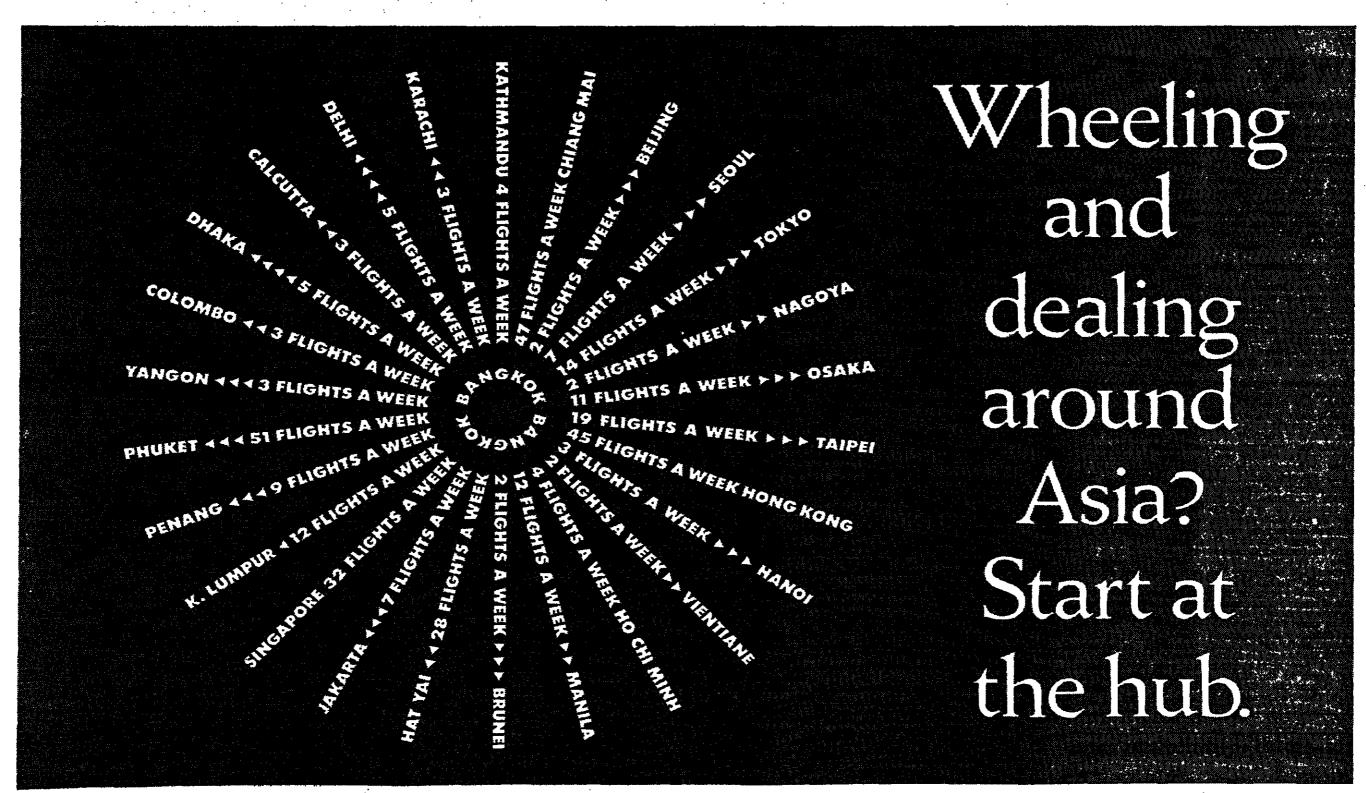
panies to have profit sanctu-aries," says Fisher. The third lesson has been the need to go to considerable lengths to protect its technology. In 1986 and 1987, Motorola took several Japanese compa-nies to court for violating its patents on car phones. In the past year, it has been pursuing its rivals, again predominantly Japanese but also Finland's Nokia, for infringing its patents on the more sophisti-cated portable phones.

Rick Paggeot, who is in charge of the handset business, refuses to put a figure on the royalties Motorola is receiving from its competitors except to say they are "substantial". Moreover, he warns that Motorola will be just as aggressive in future: "The guy who comes out with a Microtac in the next 24 months that violates our tents will wind up in court." Motorola has taken a similar line in defending its intellectual property rights on the infrastructure side. When the pan-European cellular system was being developed, Europe's phone operators suggested that all manufacturers exchange for free. Motorola refused, saying that other manufacturers should pay for using its tech-

Our shareholders are owed a return on these investments that we've been making over the years. What we have in Europe is a clash with the free enterprise system. The opera-tors' mindset is incredible," declares Smedley. "The problem is you have haves and have-nots. The haves are not equal and the have-nots have not invested."

All this means that Motorola

is better placed than most other western manufacturers have been to maintain its early lead in an exciting new indus-try. In such a fast-changing high technology market, all sorts of unexpected develop-ments could throw it offcourse. But if Motorola succeeds, there will be plenty to learn from its experience.



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### Guildford retailing facilities

A development at Ladymead Guildford, which will be occupied by some of the leading names in retailing, is to be built by LOVELL CONSTRUCTION. TION under a £7.2m design-and-build contract for Arundell

House Securities. Retail units for Sainsbury's Homebase, Queensway, Allied Carpets and Halfords will be built on an 11 acre greenfield site which forms part of the Ladymead Retail Park on the outskirts of Guildford.

The four single-storey units will have structural steel por-tal frames on piled reinforced concrete foundations. External work will include provision of car parking, service areas and estate roads.

#### Treatment plant

A £5m effluent treatment plant for Glaxochem of Ulverston, Cumbria, is to be designed and erected by SIMON-HARTLEY of Carlisle, a member of the Simon Group. The plant will treat a waste stream arising from the production of antibiotics. The stream, which is principally water, contains non-toxic materials, some of which are derived from the natural fermentation processes. The plant is part of a £45m development at Glaxochem's 65 acre site, due for completion in mid-1991.

#### Offices project

CRENDON STRUCTURES has won contracts totalling £4.5m for the supply and erection of precast concrete frames on 12 blocks and two underground car parks, forming the Waterfront office project, at Richard-son Developments' Merry Hill complex in the West Midlands.

### **CONSTRUCTION CONTRACTS**

### Crossing the River Lea

CONSTRUCTION has been awarded new work valued at over £50m. The largest contract is the £25.6m Lower Lea Crossing project for the London Docklands Development Corporation. The 102 week scheme will entail the construction of a four span composite/steel bridge on five bored piled supports over the River Lea.
The scheme includes three additional structures - two

with street and footpath light-ing will be provided for the steel jack-in bridges and an in-situ concrete bridge - to accom-modate a one kilometre long

section of roadway, which will link Lea Crossing with Leamouth Road and Silvertown Way.

The contract also includes the partial demolition of a via-duct and the construction of two single carriageway sliproads. Associated fencing, walls and drainage together

On a site adjacent to junc-tion 24 of the M1, Norwest Holst is constructing a four-storey Hilton National Hotel

for Ladbroke Hotels. Work on for Ladbroke Hotels. Work on the £8.2m contract will involve constructing a £53 bedroom hotel, which will be situated within two miles of the East Midlands Airport, and an adjoining one and two-storey block housing a leasure chub, function rooms, restaurant, hars and a recention area.

bars and a reception area. Working for sister company Norwest Holst Capital Developments, the company is under-taking the construction of a 23m 90,000 sq ft industri-al/warehouse development at Wickford Business Park.

### **Modernising Mansion House station**

SIR ROBERT MCALPINE AND SONS has been awarded a 212m contract by MEPC Developments for the construction of a six-storey trlangular shaped office/retail building with basement and sub-basement in the City of London.

The development, which is being carried out jointly with London Underground, is located on a 700 sq metres site at the junction of Queen Victo-ria Street and Cannon Street and includes Mansion House Underground station, which will be closed for part of the

The groundworks involve

excavation for the two basement levels which require extensive earthwork support comprising underpinning, H-pile skin wall construction with flying and raking props. Construction of the triangu-lar shaped building, with a total gross floor area of 5,800 sq

metres, will be of in situ reinforced concrete frame on concrete raft foundations with the formation of reinforced concrete waterproof retaining walls to sub-basement and basement levels. The roof structure includes in situ reinforced concrete mansards with a steel framework to sup-port the plantroom mansard.

Part of the basement and ground floor and all of the upper five floors will be fitted out to provide 4,000 sq metres of office accommodation. The remainder of the basement and ground floor will be completed to "shell only" for four retail units at ground level and at basement level, the new London Underground ticket office, with associated plant and stor-age areas located in the sub-basement. The building also incorporates a new Mansion House station entrance area and staircase and a new pedes trian subway access staircase. Work includes air conditioning

### £11.3m leisure complex for Colchester

LAING EASTERN has won the £11.3m contract to build a leisure pool in Colchester. The contract, awarded by Colchester Borough Council, begins in March and is scheduled for completion in August 1991. The pool will be built on two levels with twin flumes, pool and beach plus external rapids tide.

feature believed to be new to the UK, a spa sauna world complete with saunas which will be set at different temperatures with a range of fra-

Steam rooms and solaria will also be provided together with a hot spa pool and thermal

hydro massage pool, which will have therapeutic water and needle jets. The contract also includes a

multi-purpose hail suitable for sport and the arts and alterations to the existing conventional pool to create a 25 metres national short course competition pool.

### £35m orders won by Lilley companies

LILLEY CONSTRUCTION has been awarded contracts worth £35m. Commissions, valued at £20.8m, were received by Eden Construction, the group's north of England operation. They include a £14.1m contract to design and build an oxide fuel complex for British Nuclear Fuels in Preston and a £2.2m contract to undertake

reconstruction works of the southbound carriageway of the M6 motorway.

Lilley Construction's £8.4m contribution includes a £1m contract on the Broomielaw complex in Glasgow, while Lilley Developments has been awarded a £2.2m order for 29 industrial units in Milton

MDW, the Glasgow-based company, has been awarded a £1.5m retail development project in Glasgow. Robison and Davidson, Dumfries, has received work totalling £300.000: Standen, Nottingham, has won contracts worth £1.3m, and Henry Jones has received a batch of orders worth £300,000.

#### **LEGAL COLUMN**

### Finance markets buck trend away from self-regulation

By Martin Piers and Barry Donnelly

"A LAW unto themselves" is a description of City institutions and their activities often heard in corporate circles. But it is also said that regulations such as those of the Financial Services Act of 1986 and the strict new rules introduced by the Lloyd's insurance market appear to herald an era which will witness the curbing of self-regulation for these insti-

Insolvency practitioners and lawyers disagree with this. Part VII of the Companies Act of 1989 seeks to ensure the integrity of financial markets by allowing them to deal with any insolvency on the part of a member institution — in the first instance anyway - outside the general law of insol-

vency.
The Insolvency Act of 1986 still applies to commercial enti-ties other than financial markets and to individuals. So why the special case for such institutions, and is it justified?

In effect the new provisions will overturn the existing general law as laid down in the 1975 case of British Eagle International Airlines v Compagnie Nationale Air France. In that case the House of Lords decided by a bare 3-2 majority that it was contrary to public policy to permit the City through its complex financial markets - to contract out of the general law and apply its own specific market regula-

tions in the event of the default of one of its members. The new provisions relate to contracts entered into on what the act defines as a "recognised investment exchange" (such as the Stock Exchange, for exam-ple) and a "recognised clearing house" (such as the International Commodities Clearing House). These contracts are

**CLASSIFIED ADVERTISEMENT RATES** 

referred to under the act as "market contracts." The act provides that if the recognised investment exchange or clearing house declares a company to be in liquidation, receivership or administration, or a bankrupt individual to be a defaulter, the rules of that exchange or clearing house will take precedence over the general law of insolvency regarding the settlement of any market contracts, closing out and default, as well as the specific terms of the actual

market contracts concerned. Parliament has thus overturned by statute the House of Lords' ruling in British Eagle in this respect: a mini-liquida-tion of the defaulter's bargains (referred to under the act as "default proceedings") will take place before the provi-

sions of the Insolvency Act 1986 will be applied. The act amends the Financial Services Act 1986 so as to oblige recognised investment exchanges and clearing houses to have default rules dealing with the insolvency of any of their members. A liquidator, administrative receiver, administrator or trustee in bank-ruptcy (office-holders) is prohibited from exercising his powers in such a way as to frustrate the default proceed-

Indeed, the act imposes onerous obligations on any person who has control over the defaulter's assets to provide assistance to a recognised investment exchange or clearing house for the purposes of the default proceedings. This provision is extended to include anyone who has conrelating to the defaulter. These obligations are analagous to those imposed on persons in

order to assist officer-holders themselves under sections 234-237 of the Insolvency Act

Nevertheless, in spite of the precedence of the default proceedings, the office-holder may take steps to protect the position in so far as the subsequent liquidation, receivership, administration or bankruptcy is concerned.

If the court is satisfied on an application by an office-holder, that a party to a market con-tract with a defaulter intends to dissipate or apply his assets to prevent the office-holder

Until completion of default proceedings the claims and liabilities of the defaulter cannot be taken into account in any liquidation

recovering sums which may be due on completion of the default proceedings, it may make an appropriate order restraining such action. Until completion of the default proceedings, the claims cannot be taken into account in any liquidation, receiver-

ship, administration or bank-ruptcy. When such proceedings have been completed the rela-vant exchange or clearing house must provide a report to the Secretary of State which will include a statement of the amounts due to, or from, the defaulter under the market

contracts concerned.

Only then can such amounts be set off or proved in any general insolvency. Until that point any liquidator or trustee in banks when the contract of the in bankruptcy cannot declare or pay dividends unless he or she retains what he or she reasonably considers to be an adequate reserve to meet unsatisfied liabilities which may arise out of the default proceedings. In certain circumstances. when the default proceedings are completed and a net sum is determined, office-holders may claw back money from a credi-tor of a defaulting member, for example, where the creditor had notice of a winding-up

petition baving already been presented at the time of entering into the market contract with the defaulter. Other provisions of substantial significance concern new rules relating to what the act defines as "market charges." These are charges (whether fixed or floating) granted in favour of a recognised investment exchange or clearing house for the purpose of secur-ing debts or liabilities arising in connection with the settle-ment of market contracts or the ensuring of the performance of such contracts.

Again, the general law of insolvency applies subject to the relevant provisions of the act which permit the exchange or clearing house concerned to enforce its security in precedence to any claim by any

third party.

Even what had been considered ered to be the all-encompassing freezing effect of the presentation of a petition for an administration order is overridden by

the new provisions.

Any administrator appointed is denied the power to deal with property which is subject to a market charge, whilst the restriction on the right to enforce security while a petition for an administration order is pending or an adminis-trator is in office, does not apply to the exchange or clear-ing house. In addition, no legal proceedings against such property are to be permitted without the consent of the relevant exchange or clearing house, or the leave of the court.

Anyone dealing with firms and corporations which are members of recognised exchanges or clearing houses should now review their contractual arrangements, and in particular should take cognisance of the market charges provisions which could have very serious consequences in

very serious consequences in relation to any security which they may hold.

The financial markets appear to have got their own way once again, and it will be interesting to note the approach of the courts in future cases involving the new provisions.

provisions.
So what is the answer to the so what is the answer to the question posed at the outset? Why the special case? More elaborate investor protection must be the answer. On the other hand, the cynic may conclude that this is yet another example of the ever more complemental to the contraction. plex workings of the City which simply serves to benefit, in particular, the professionals

serving such markets.

Martin Piers is a partner in. and Barry Donnelly a barrister with, City solicitors Gouldens

#### PARLIAMENTARY

Commons: Landlord and Tenant (Licensed Premises) Bill, remaining stages. Motions on Industrial Train-

ing Orders.
Opposed private business Lords: Pakistan Bill, third Abortion (Amendment) Bill, Coal Industry Bill, commit-

Associated British Ports (No. 2) Bill, second reading. Select committee: Public Accounts: subject, sale of British Steel. Witness: Sir Peter Gregson, Department of Trade and Industry. (Room 16, 4.30

#### Tomorrow Commons: Criminal Justice

(International Co-operation) Bill, second reading.

Motion on the annual report of the European Court of Audi-tors and related action against Ford.

Opposed private business after 7 p.m. Lords: Greenwich Hospital Bill, third reading. Education (Student Loans) Bill, second reading. Committee on private bill: King's Cross Railways Bill. (Grand Committee Room,

#### FINANCIAL

TODAY
COMPANY MEETINGS
Demining Electrical, 65 Quasa Squara, Bristol, 12.00
Kleen-5-5c Hidge, Martina Road, Hantum,
Bristol, 10.00
Parkwey, Sacurity Pacific House, 4 Broadgate, E.C., 10.00
Wheevey, The Brewery, Chiswell Street, E.C.,
11.30
GARD MEETINGSFinalis;
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Appleyand

Chieffeli Conroy Pet. & Natural Res, Cooper (Alan) International Colour Manage

Williams (Julia: Applie Estates (Solven DivideNos) & INTEREST PAYMENTS-Abbey National Building Society 91,5% Na. 1994 47-pc Argyl 2.45p Bank of Nows Scotia Fits Rate Sub Cap Debe 2005 \$458.23 Bulmer (FLP) 2.88p Douglas (Robert M.) 3p Horne (Robert) 5p Do. NY "A" 6p Lloyde Eurotheance NV Glid Fitsy Rate No. 1995 \$188.37

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#### Trade fairs and exhibitions: UK

February 28-March1 Northern Wine and Spirit-Trade Fair (01-637 2400)

March 4-6 International Automotive Parts & Accessories Trade Show -**AUTOPARTAC (01-302 8585)** 

March 4-7 Skiing Exhibition - SKI GB (0228 41272) NEC, Birmingham March 6-8

International Cosmetics Exhibition (0799 26699) **NEC**, Birmingham

### **Overseas exhibitions**

SEMICON/Europa Interna-tional Electronics Show -SEMI (01-353 8807)

March 10-18 International Boat Show HISWA (01-495 7977) March 11-17

International Spring Fair (0375

tion (01-727 1929) TRA (01-236 0911)

### Business and management conferences

February 28-March 1 Finanacial Times Conferences: Cable television and satellite broadcasting (01-925 2323) Hotel Inter-Continental,

The Conference Board: Anti-trust issues in today's economy (NY 212-759 0900)

approach (01-388 2044)

The London Motor Conference-Manufacturing, Components and the Aftermarket (01-925 Royal Lancaster Hotel, Lon-

March 6

Hawksmere: Negotiating com-mercial agreements to comply with EC law (01-824 8257). The London Hilton

Energy: The rational use of energy in urban regeneration.

Cardiff

Westminster Hall, 10.30 a.m.)

Commons: Debate on the Royal Air Force. Lords: Debate on Government policy for higher education.

Debate on "The advantages

to the arts and sports of a nationwide lottery." Question to Government on plans to help planning authorities protect areas worthy of conservation.
Select committees: Defence:

subjects, the Trident pro-gramme and the Atomic Weap-ons Establishment. Witnesses: Ministry of Defence officials. (Room 16, 10.30 a.m.)

Environment: subject, beach pollution. Witnesses: Acer Group, Consultants in Environmental Sciences and Dr A.

Downing. (Room 21, 10.30 a.m.) Parliamentary Commissioner for Administration: subject, Northern Ireland reports for 1988, Witness: Dr M.N. Hayes, Parliamentary Commissioner for Administration in Ulster. (Room 19, 10.45 a.m.) Trade and Industry: subject,

British Aerospace and Rover Group, Witnesses: British Aerospace representatives. (Room 15, 10.45 a.m.) Rocom 15, 10.45 a.m./ Energy: subject, cost of nuclear power. Witnesses: Kleinwort Benson, Lazard -Brothers and UBS Phillips and

DIVIDEND & INTEREST PAYMENTS

Bank of Montreal Sicts City of Oxford Investment Trust 0.8375p Fairbrier 1.25p General Motors Acceptance 9°5 % Nts 4 Investment Co. 0.5750 WEONESDAY FEBRUARY 28 COMPANY MEETINGS-ysalis, Wastbury Hotel, W., 10.30 y Site Estates, Forum Hotel, Glasgow,

Hobses & Merchent, Brands House, Kingshill Road, Buskinghamshire, 12.00 RCD Holdings, 8 St. Bride Street, E.C., 3.00 UTC, Howard Hotel, Temple Place, W.C., TI.DO BOARD MEETINGSrames; AMS industrials

Sarciays Benk British Kidney Patient Inv. Trust Cadbury Schweppes Conypercial Union Assurance

Menswear Fair – MABNORTH Daily Mail Ideal Home Exhibition (01-2229341) . Barls Court March 11-13 British Footwear Fair (0799

> NEC, Birmingham March 13-15 National Welding Exhibition -NORTHWELD (0403 68747) G-Mex Centre, Manchester

March 17-26 International Cycle and Leisure Fair - CYCLEX (01-390 March 20-22

Semiconductor International Exhibition (01-948 9900) NEC, Birmingham

International Jewellery Show

March 17-20

(01-828 1661)

Hong Kong Zurich March 23-26 International Franchise Exhibi-**Paris** March 31-April 5 International Hotel and Cater-

### ing Exhibition - INTERGAS-Stuttgart

The Belfry Hotel, Near Sut-

Financial Times Conferences:

Competition, Mergers, Acquisi-tions and Alliances in Europe

Hotel Inter-Continental.

Institute of Directors: Dealing with skills abortages (01-839

March 19-23 University Consultants (Japan): Coming to terms with

The Henley Centre: Annual review of social developments and forecasts (01-353 9961)

Cavendish Conference Cen-

Financial Times Conferences:

World Pharmaceuticals (01-925

Royal Garden Hotel, London

March 26-27 Financial Conferences: The

European water industry (01-925 2323)

Hotel Inter-Continental.

March 26-27

Japan (01-323 4383)

116 Pall Mall, London

Cambridge University

(01-925 2323)

March 14

March 20

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ton Coldfield

London

### CIPFA/Peat Marwick Mclin-

tock: The new culture-meeting the strategic challenge (01-895 March 13-14

Grand Hyatt, New York Quorum Triaining: Cost man-agement an activity accounting

Financial Times Conferences:

CBI Conferences: The Compa-mies Act 1989 – The impact on British business (01-379 7400) Centre Point, London

March 8-9 The Watt Committee on

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

#### DIARY DATES

Drew. (Room 8, 11 a.m.)

p.m.) Public Accounts: subject restructuring and finances of universities. Witness: Mr J. Caines of the Department of Education, and Sir Peter Swin-nerton-Dyer of the Universities Funding Council. (Room 16.

Social Services: subject, community care. Witnesses: Association of Social Services Directors and Institute of Health Service Management. (Room 21, 4.15 p.m.) Procedure: subject, working

vants. (Room 8, 4.30 p.m.) Joint Committee on Consoli-

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dation Bills subject, town and country planning. Witnesses: Mrs Maggle Leakes and Miss J.

Home Affairs: subject, Crown Prosecution Service.

Witnesses: the Justices Clerks Society and the Magistrates Association. (Room 15, 4.15

4.15 p.m.)

of the select committee system. Witnesses: Mr Hector Mackenzie of the Confederation of Health Service Employees, Mr Jonathan Porritt of Friends of the Earth, National Associa-tion for the Care and Resettlement of Offenders and the Confederation of British Industry.

(Room 6, 430 p.m.)
Treasury and Civil Service subject, Civil Service pay and conditions. Witnesses: Association of First Division Civil Ser-

A. Cochrane. (Room 4, 4.30

Committees on Private Bills: (unopposed) Birmingham City Council Bill and Greater Man-chester Light Rapid Transit System Bill (Room 9, 4 p.m.) (opposed) King's Cross Rail-ways Bill. (Grand Committee Room Westmineter Hall 10 20 Room, Westminster Hall, 10.30

Thursday Commons: Debate on Welsh affairs. Lords: Contracts Applicable Law Bill, report. Courts and Legal Services

Gaming (Amendment) Bill, committee. Select committees: Foreign Affairs: subject, Unesco. Witness: Professor Federico Mayor. (Room 15, 10.30 a.m.)

Bill, report.

European Legislation: subject. EC Commission programme for 1990. Witness: Mr Francis Mande MP. (Room 15, 4.30 p.m.) Committee on a private hill: King's Cross Bailways Bill. (Grand Committee Room, Westminster Hall, 10.30 a.m.)

Commons: Private Members' Bills.

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THURSDAY MARCH 1
COMPANY MEETINGSShefisebury, Savoy Holet, W., 12.00
BOARD MEETINGS-

Finale: AAF law. Corp.

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FRIDAY MARCH 2
COMPANY MEETINGS
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Princes Street, Edinburgh, 12.00 Lloyde Bank Prim. Cap Und Filg Rate Na. 357, 28

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Cardiff Property, Brailey Court, Park Place,
Cardiff, 12:00
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Richards P.C., Broadlard Works, Meherly
Street, Sheffield, 10:00
Thornton (G.W.), Bridge House, Bridge
Street, Sheffield, 12:00
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### **COMPANY NOTICES**

#### **MHANGURA COPPER MINES LIMITED** (Incorporated in Zimbabwe) INTERIM REPORT OPERATING RESULTS (Tonnes) Ore miled

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Recistered office: 4th Floor, Betavial Gardens, 57 Stanley Avenue, HARARE

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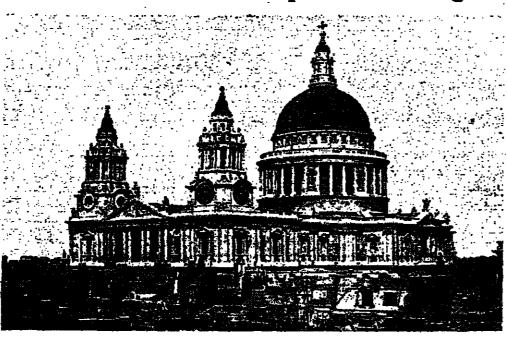
### Paternoster Square: the way ahead

Colin Amery reports on the Prince of Wales' speech in Washington last week

Courtains of the second ast week the architec-tural debate demon-strated that it is a debate suns frontieres. The whole discussion on the future of our cities, the role of the capital, the less clear role of the architects, shifted to Washington D.C. Two events brought things into focus. Firstly, an important and brilliantly conceived exhibi-tion, Sir Christopher Wren and the Legacy of St.Paul's, was opened by The Prince of Wales at the Octagon, on New York Avenue in Washington. (This exhibition is sponsored by Cahners Publishing Company, part of Reed International plc, and continues until May 8.) The second event was a speech given by The Prince of Wales to the assembled ranks of the American architectural profession, which took the debate onto a more philosophical plane, linking it to concerns about the whole future of the natural and man made envi-Washington D.C. is a classi-

cal city dominated by a dome. Broad avenues, temples, statues and obelisks give this republican seat of government the air of a new, motorised, Rome. The plans for Washington, drawn up by L'Enfant, were a model of rationality. The founding fathers of the new America saw the value of the adoption of the classical style for their new nation.

The continuity of the tradition was important, but almost more important was the conviction, expressed most strongly by Thomas Jefferson, that architecture had an important role for any state. Jefferson said of architecture that it was his own delight: "It is an enthusiasm of which I am not ashamed, as its object is to improve the taste of my countrymen, to increase their reputation, to reconcile them to the rest of the world, and to procure them its praise." Sentiments that The Prince of Wales would certainly echo. He too because his work is carefully spoke in Washington last attuned to the natural world.



View of St Paul's from the Southwest, c 1874 in the Sir Christopher Wren and the Legacy of St Paul's exhibition which has just opened in Washington

week, of the need for continu-ity and stressed again his con-viction that it is possible to have both respect for tradition and acknowledge progress and

The Prince of Wales made it clear in Washington that he wants to continue the debate about architecture and the quality of life in the built world. He was invited to give the keynote address at an event called "Accent on Archi-tecture," organised as a "celebration of design excellence by the American Institute of

I wrote last week about the work of the architect Fay Jones, who was honoured by the presentation of the AIA Gold Medal as part of this cele-bration. He is exactly the sort of architect that the Prince is likely to respect and admire

Because of the fortunate coincidence of events, the Prince was able to philosophise in general but focus in particular upon the Paternoster Square project by St Paul's which is included as an adjunct to the Wren exhibition. Paternoster looks set to become the epicentre of the architectural debate. It is appropriate that Paternoster abould preoccupy not just the Prince of Wales, but all of us who care remotely about the future of cities and the future of architecture as a force to inspire and console the human

The Prince puts it succinctly when he says he understands the need to reflect the spirit of the age, "but what alarms me is that the age has no spirit. It is all matter and therefore unable to endure.

The challenge of Paternoster Square is an exciting one. In

ity" with social and aesthetic considerations. The Prince's words seem to sum up the challenge: "I believe that if somewhere like Paternoster Square is to be both a vindica-tion of tradition and a model for the next century; a number of 20th century developers' instincts will have to be suspended to make room for real thought: the instinct to create as much undifferentiated floor area as possible in the interests of 'flexibility,' the instinct to build quickly, cheaply and thinly; the instinct to go as high as regulations will allow; and the instinct to

develop unrestrained by the recognition of human needs." Does this challenge make it commercially impossible to build the best that is achiev-able next to St.Paul's? It will be undeniably difficult and there will be a need, not just for the developers to be radi-cal, but for the City of London to be imaginative in a way that has seemed to be beyond them until now. After all, rules are made to be broken and this part of the City must receive special treatment - even to the extent of offering compensatory development sites to the owners if the economic formulas cannot be made to work within the constrictions of the

The excellent thing about the royal speech and the Wren exhibition in Washington is that they demonstrate so clearly that all this has hap-pened before, King Charles II and Sir Christopher Wren had to learn the art of compromise with the rebuilding of London after the Great Fire.

Today the willingness to do the best for Paternoster certainly exists in the minds of architects and developers. It is the test case and for the future of the City Paternoster must learn from history and succeed. The will to succeed is there from American, Britain and Japan. With Wren's inspiration this part of the city can

### Exchange

I remember a student production of Vuri Trifonov's 1976 Russian hit which emphasised the social grimness and sheer complex mechanics of the Muscovite housing market. Now Michael Frayn puts the title's exchange of flats in perspective: a device that sets us exploring family loyalties, conflicting values, the small betrayals and desertions that daily numb our moral aware-ness with their expediency and evasiveness. Tanya McCallin's design sets

the literal and metaphorical framework of claustrophobia: a sharply raked stage backed by a wall of the dribblingly discol-oured concrete also familiar in the utopias of British urban pisnning.

In one corner is the Dmitrievs' home, the room they occupy in a communal flat (the maximum space per person allowed by the state that owns all city accommodation is three paces by four). Bed/settee, screens, chairs placed on tables draped with clothes — all serve as demarcation lines for Viktor and Lena and their schoolgirl

The intolerable situation can be remedied by flat swapping, much as council tenants in Britain can exchange, Private enterprise lingers in the shape of the agent, a shadowy figure of no known address who flits through the action home-broking, more for artistic gratifica-tion than profit. By the end of the play he has

set up a deal of domino depen-dency, a house of cards that entails a 13-way exchange of flats. But this is merely the background. Viktor comes forward as narrator to probe the tensions and cross-currents that led to his ultimate disloy-

alty. Inevitably a British audience finds its own equivalents for the two families we meet. Trifonov, who died in 1981, came of a principled political family (his father disappeared in the purges); and Viktor's background includes a grandfather (Colin Douglas) who knew Tsarist imprisonment, and a dead father, spectrally return-ing from the birchwoods nos-talgically glimpsed beyond the concrete, who wrote poems and fables while working as an engineer. Viktor's mother is a pillar of probity; and she it is who sparks off violent reactions in her daughter-in-law

Lena. For Viktor marries into the Lukyanovs: arrivistes, fixers, survivors, vulgar and material-istic. Their philosophy seems to affect even the landscape; all changes in small ways year by year, all is "Lukyanovised" as their rueful son-in-law admits. They have English counterparts, especially now. Lena is intelligent enough to feel defensive before the old values of decency she has married into. Viktor's weakness marks a falling-off of those values at "37 - well, it's not 47 and it's not 57. I still might get some-

But moral inadequacy leads to tricking a down-at-heel consin out of a job, abandoning the mistress who would, he admits, have made a better wife - "Don't . . slouch" he helplessly orders her as she miserably slumps on the ground - and finally asking his dying mother to give up ber flat in the projected swap.

fully-played tension between Doreen Mantle and Martin Jar-The play was adapted from a novel whose origins are apparent in the narrator's mammoth task Mr Jarvis tends not to play roles that require a pas-

They both recognise the betrayal in a scene of beauti-

sion torn to tatters, so the sitivity, observation and sheer technical accomplishment that make him one of the best act-ors on the British stage are taken too much for granted.
Patrick Sandford's direction takes its time — the first half is often simply undramatic — but with fine supporting play-ers (Rosalind Ayres' Lena, Julia Watson's sympathetic

Tanya, Gabrielle Lloyd who even looks like a Russian

archaeologist - I imagine) the cumulative effect is powerful,

resonant and, one can hazard the cliché, Chekhovian. **Martin Hoyle** 



### Uncle Vanya

HARROGATE THEATRE

The detritus of wasted lives. abundance unexploited, gifts unfulfilled ... Michael Spencer's design gives us the physical metaphor in the pile of dusty papers and old books design gives as the physical metaphor in the pile of dusty papers and old books downstage, complete with junked but functioning cuck-

tion opens the action.

As Andrew Manley's exuberantly swaggering production of The Propoked Wife last season

Harrogate's Artistic showed, Harrogate's Artistic Director can seize a classic impertinently by the scruff of the neck and give it a good shake. The result here is ensemble acting without a weak link, beautifully paced with - vital in Chekhov - an ebb and flow so natural that one hardly notices the varia-tions in speed while being kept on the edge of one's seat.

The set is dominated by a long table whose wine-stained cloth still bears the clutter of a sumptuous feast. Corrugated iron walls soar the considerable height of the theatre's acting area. The watchman taps his way along the walls while the wind howis outside; his rattling tattoo fades away offstage. The storm gives us one of the angriest retired professors ever. Geoffrey Banks' Screbry-

akov rages against the dying of the light in a chill anticipation of his deathbed. Lear has made it indoors at last, cared for by his family. And much good it

does them.
Jonathan Burn's Vanya has
a touch of the frowsy slob.
Recently seen as Polonius, this actor deepens and broadens with every new role. His Vanya belongs to the Anthony Hopkins school: a threatening strength, dormant energy, underlies that grizzled stockiness. He shows the sad, self-deprecating humour of Alan Bates as a Simon Gray antihero in his playfully funny walks and self-mocking head-wagging. Above all he reminds us that Vanya is not old or even elderly, but still capable of alternating resigned lethargy and vigorous emotional

As in every good Chekhovproduction, there is one characterisation that the actor concerned seems born for. Alexandra Mathie's Sonya, a sturdy little pack-horse aching with love as she gently and auto-matically feeds cheese to the percrating Astrov. Nina Young's Yelena is one of the most complete I have seen. No mere brainless beauty or flirta-

tions flibbertigibbet, she may lack the concentration for more than five agonised sec-onds of Astrov's lecture on his beloved forestry, but in her own field she is honest, straightforward and compe-

The production marks the British première of David Mamet's clear, sometimes ele-gant English varsion. Oddly I find such everyday idioms as "speak with" instead of "to" more jarring than references to deadbeats and freeloaders the production is, after all, in modern dress.

Astrov's concern for the environment comes over with shocking and ironic topicality, especially in an area where local Conservatism shows its Green face by considering driving a road through a Domesday forest, and pulls down yet more of Victorian Harrogate for "a new multi-level retail

centre. Chakhov is with us yet; especially when such gripping productions on the Nidd argue more vitally for regional theatre than currently touted poseurs and mannerists on the Clyde.

Martin Hoyle

### The Age of Anxiety

Symphony, played on Friday by Peter Donohoe and the Bournemouth Symphony under Andrew Litton, is one of his more fascinating ventures in the field of "serious" music. Subtitled "The Age of Anxiety," and inspired by the essay in big-orchestra writing, with an important and superbly worked solo piano part and an attached programme with obvious autobio-

those few expensive acres will

it be possible to achieve what the Prince of Wales calls "a

human scaled, coherent and living place of city? All the characteristics of our time are

concentrated on Paternoster

The trilateral ownership of the major part of the site Park Tower Realty of New York.

Greycoat Estates of London and Mitsubishi of Japan must

be almost unique, but this kind of international financial arrangement is likely to

become much more common. It

leads to complex architectural arrangements - in this case

the British architect John

Simpson is joined by Terry Farrell and the American architect Thomas Beeby from

Chicago and there may well be

have to design the buildings but they will have to find ways

of balancing economic "real-

The architects will not only

graphical significance. When first performed, in 1949, it was criticised for eclec-ticism, for show-off dramatic gestures, for superficiality - in short, for all the usual Bern-

stein reasons. But on this occasion, at least, the fact that the work holds together seemed beyond doubt or argument.

The attached programme, like that of Berlioz's Fantastic nge that of Bernoz's Fantasuc-Symphony, is less a ground-plan than a poetic analogy for musical processes that Bern-stein explores with a personal and wholly convincing combi-nation of dramatic instinct and hard-worked musical

logic.
The thematic unity of this symphony - whose material is entirely unfolded out of the

Leonard Bernstein's Second simple intervallic tracery offered with quiet beauty by two clarinets at the start - is striking, the more so because of the variety of textures, styles, and moods encompassed

It was a virtue of the Bour-nemouth performance, in which Donohoe made the piano sparkle and bounce with steelwire strength and over which Litton exerted secure formal control, that it moved forward, from beginning to end, with complete single-mindedness of

purpose.
There was, perhaps, an occasional shortage of high-gloss virtuosity in orchestral detail.
The Bournemouth players have to work hard to assume the bright, supple, jazz-influ-enced manners of "The Masque," and sometimes the effort showed (the account of Bernstein's Candide Overture, which preceded the symphony, was taken at too fast a lick for all the notes to be cleanly articulated).

But the slight sense of sobriety that attached to the performance seemed to affirm the piece's less obvious strengths, An impressive

### Rebecca

CHURCHILL THEATRE, BROWLEY

The Bromley audience breathed a sigh of relief as the curtain rose on Tim Good-curtain rose on Tim Good-child's magnificently affluent books of Brown Windsor soup if ever absent during the last, in which all the action is concentrated. The audience fell into silent rapture as the play suddenly picks up speed, changing the last in which all the action is concentrated. The audience fell into silent rapture as the play suddenly picks up speed, changing an incircle chost mystery room of a set and comfortably relaxed for their favourite fairy story - the one about the poor but honest young girl who wins the heart of a gruff but

rich man. You know, Jane Eyre – sorry, Rebecca. Daphne du Maurier's plot was already old fashioned in 1938 but romance still rules, at least in Bromley, even if there are few men left called Maxim de Winter inhabiting mansions as lavish as Manderley on the Corwnall coast and totally committed to the happiness of their peasantry and being

beastly to their young bride.

Clive Arrindell plays him with a certain detachment, as with a tertain detachment, as if he has just bitten on a gum boil, and as the action slowly, very slowly, evolves, there seems to be no good reason why he is so brusque with the mousey Mrs de Winter (du Mouvier near good to Max Loppert | Maurier never got round to giving her heroine a Christian

there was one.

caught up in brooding machi-nations outside her experience. For, of course, Manderley is still ruled by Rebecca, the first Mrs de Winter who drowned a year previously. Since she can't arrange the flowers her-self (although being new to du Maurier I confidently antici-

husband.
Chifford Williams has apparently modernised Daphne du
Maurier's original dramatisa-

from an insipid ghost mystery into a psychologically interesting murder mystery. Arrindell's anguish suddenly

seems appropriate as he absorbs punishment like Frank Bruno and the ending manages to be both resolutely feminist and totally fantastic.

Anyone catching Rebecca will know exactly what to expect and they will not be dis-

**Antony Thorncroft** 

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### **ARTS GUIDE**

February 23-March 1

### MUSIC

London Philhermonic conducted by Valery Gergiev, with Alexan-der Toradze (pismo). Lyadov, Liszt, Tchaikovsky (Tues). Royal Festival Hall (228 8800). Royal Philharmonic Orchestra conducted by Yuri Temirkanov. Tchaikovsky (Tues). Barbican (638 8891). The Philharmonia conducted

he Frimariania contrene by Gioseppe Sinopoli. Mossorg-sky, Rimsky-Korsakov, Dvorak, Tchalkovsky (Wed). Royal Festi-val Hall (928 8800). Paris

The Academy of Saint Martin-in-the-Fields conducted by Iona Brown. Albinoni, Torelli, Corelli, Locatelli (Mon). Chatelet

Bavarian Radio Symphony Orchestra, Berlioz (Tde), Bastilla Opera (40011616). Ensemble Orchestral de Paris conducted by Armin Jordan, Martha Argerich (piano) Philip-Rride, Christian Creene (violins). Bach, Haydn, Beethovan (Tue). Salle Pleyel (45638873). Brigitte Fassbaander, mezzo-so-prano. Schubert (Tue). Audito-

rium des Halles (40282828). Orchestre de Paris conducted by Christoph von Dohnanyi, Ali-ciade Larrocha (piano), Weber, Mozart, Reich, Strauss (Wed, Thur), Salle Pleyel (45630796). William Christie, Christophe Ronsset (harpsichords), Le Roux, Rameau, Couperin (Thur), Audi-torium des Halles (40282826).

#### Amsterdam

The Hague Philharmonic with Godfried Hoogeveen (cello), Hans York conducting, Shostakovich (Mon). Concertgebouw (718 345).

Netherlands Philhermonic led by Philippe Entremont (plano). Strauss, Beethoven (Thur). Vre-denburg (31 45 44).

Mikhail Bezverkhny (violin, viola) and Tchernychov (piano). Shosiakovich (Mon). Palais des Regus Arts المكاية

Riccarco Muti conducting Moz-art, Schubert (Mon). Teatro alla Scala (80 91 26). Gerrick Oblson (piano) playing Chopin (Wed). Conservatorio G. Verdi (76901755). Rome

Junitar Quintet, Michele Lot and Plerantonio Casulani (vio-lins) Stefano Pancotti (viola) Stefano Viero (cello) and Giuseppe Zuccon Ghiotto (piano) playing Shostakovich and Schu-mann (Wed), Teatro Olimpico (383304).

Madrid Symphony Orchestra, Cristobal Halffer conducting. Halffer, Marco, Mahler (Tues). Auditorio Necional de Musica (337 01 00). Guildhall String Ensemble. Ana-bel del Castilio and Robert Salter (violins). Corelli, Handel, Bach (Wed). Auditorio Nacional de Musica (337 01 00). Musica (837 01 00). Warsaw Sinfonia Orchestra con-

### ducted by Krzystof Penderecki, Grigori Zhislin (viola). Honegger Penderecki, Bartok, Prokofiev.

Barcelona Orquestra de Cadaques con-ducted by Edmon Colomer and Trio de Barcelona, Altenella (piano), G. Claret (violin), L. Claret (cello) (Wed), Palau de la Musica Catalana (301 69 43).

New York

Vladimir Feltsman piano recital. Schubert, Karetnikov, Liszt (Mon).

Schneer, Karethikov, Liksi (Mon).
Opera Orchestra of New York.
Eve Queier conducting with Mervis Martin (soprano). Tchaikovsky (Wed). Carnegie Hall (247
7800).
New York Philharmonic Orchestra conducted by Zubin Mehia
with Anne-Sophie Mutter (violin). Lutoslawki, Bruch, Haydn,
Kodaly (Tue); Zubin Mehia conducts, Maurizio Pollini (piano).
Beethoven, Webern (Thur).

Chicago

Chicago Symphony Orchestra. Herbert Blomstedt conducting, Yo-Yo Ma (cello). Haydn, Lader-man, Dworak (Tue); Daniel Bar-enboim conducting with the Chi-cago Symphony Chorus. Wagner (Thur). Orchestra Hall (435 6666).

Sequentia. Medieval music from Sequentia. Medieval music from Germany and Islamic Spain (Tues). Casals Hall (470 2727). Nikiked Chorus, Shinsel Nihon Symphony Orchestra, conducted by Tajiro linori. Opera choruses by Verdi and Wagner (Wed). Sun-tory Hall (888 1558).

## Her "refeened" accent exactly catches the popular image of the respectable "gel"

pated her every time the dou-ble doors fell open) the brood-ing housekeeper Mrs Danvers (Pauline Jameson) acts as her acolyte and is even nastier to the second Mrs DW than her

tion and he also directs. The best judge of his success is the cough counter, which was pretty disruptive during the first five scenes but totally

It is a great rarity to see a large strong cast performing well in such a traditional play. Mrs Danvers should surely be more menacing, but the sup-porting players, especially Julian Fellows as quite the nastiest villain to turn up for years and Richard Clifford, who manages to hint that he is willing to be more than Maxim's loyal friend, were excellent caricatures.

### Sibelius and Nielsen

As the century gallops to an end, so the need to celebrate its most precious achievements is likely to become ever more

pressing.
The BBC Symphony Orchestra's pair of Barbican concerts dedicated to Sibelius and Nielsen seems an unconscious attempt at just such a cherishing - two of the century's three greatest symphonists compared and contrasted in first-class performances under Andrew Davis.

The essays that Robert Simpson provided for the programme have enhanced the experience substantially. His encapsulation of the signifi-cance of Sibelius — a sym-phonic fusion of Wagnerian expansiveness with Classical dynamism - was masterly, though whether one accepts his equally high valuation of Nielsen depends, I suspect, on sharing Simpson's own view of the significance of tonal pro-

Strange, though, that while Nielsen's cause could not have been better served than by the programming of the Fourth and Fifth Symphonies, the choice of Sibelius in the two concerts only partially illustrated the truth of Simpson's argument; none of the late works in which all the threads are pulled together was

On Saturday Davis conducted Sibelius's Second Symphony and Nielsen's Fourth,

introducing them with Finlan-dia which he tried hard to make organic and coherent but

did not quite bring In the symphonies, however, playing and control were exemplary; as a resident London conductor now rather than a guest, Davis seems to have renewed his resources, so that nothing was allowed to be rou-tine and fresh, intelligent solutions were sought to each

interpretative problem.

Not every aspect of the Nielsen was quite in place - the first movement can seem more incandescent, a single molten curve of energy; the surge into the recapitulation went

But the central movements' delicacies were elegantly over-seen and their moments of power fully revealed, and the finale's last great tonal clash was absolutely on target. So too in the Second, shap-

so too in the second, snap-ing everything up to the "vast singing" - Simpson's marvel-lous phrase - at the heart of the first movement, and get-ting to grips with the polarities of the Andante. In the finale, with its fleeting nods to Wagner, Beethoven, Tchaikovsky, the course was intends to give us more Sibelius with the BBCSO on

such form it will be well catch-**Andrew Clements** 

## delivered

### FINANCIAL TIMES

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Monday February 26 1990

### **Business** and pollution

THE fine levied on Shell in a Liverpool courtroom last week for polluting the River Mersey with crude oil is the latest and, for Britain, one of the most striking signs yet that

ronmental agenda.
The Exxon Valdez oil spill in Alaska last year, Perrier's withdrawal of its worldwide stock after the discovery of benzene traces in its water, the report linking Britain's Sellafield nuclear plant with leukaemia in children and now the fine on Shell – these incidents differ greatly in detail. But they have one thing in com-mon: the intense pressure placed on the companies involved in the current climate of rising concern about environmental and safety issues.

Business might be tempted to put its head down and wait for this new environmental assault to subside, just as pre-vious waves of green con-sciousness have done in the past. But this would be a mis-take of the first order. For a start, the peaks and

troughs in environmental concern tend to be on a rising trend. Many industrialised for tighter controls on indus-trial pollution. These new laws, such as the Clean Air Act before the US Congress, will not be repealed if and when the present green ferment dies down. They will be the foundation on which further mea-sures will be built during the

#### Tougher penalties

Companies will have to learn to live with tougher penalties for activities which damage the environment or threaten human safety. These penalties may flow from the rising costs of dealing with pollution; Exxon last week added another \$300m to the \$1.38bn of special charges already levied against its 1989 earnings for the Alas-kan clean-up. They may come from the logic of the marketplace, which dictated Perrier's decision to withdraw its entire

The new climate will give greater credibility to organisations which by temperament wave of anti-industrial sentiment. Yet heavy industrial activities, such as those in chemical works or oil refiner-

ies, inevitably carry risks. The rational demand is not that accidents should never happen. Rather, industry should do everything to prevent accidents in the first place; it should have mechanisms in place to respond rapidly whenever an accident has occurred; and it should be open about what has happened that accidents should never about what has happened thereby avoiding groundless suspicion and fear among the general public.

#### Inadequate procedures

The Exxon Valdez and Shell's Mersey spills, although on vastly different scales, both revealed inadequate procedures for preventing oil pollution. This was the more regrettable since the two companies had long been assuring the public of their concern for the environment. Both companies could also have been more open. Shell, for example, refused to comment in other than the most anodyne way immediately after the judg-

ment last week. Its excuse -that it is waiting for a report from the pipelines inspectorate of the Department of Energy does not justify its refusal to say whether it has altered operating procedures else-where in the UK as a result of the Mersey spill.

British Nuclear Fuels, the operator of the Sellafield plant,

has been wrong-footed by the leukaemia report. For years, the nuclear industry treated investigations into possible links between radiation from their plants and leukaemia clusters as will-o'-the-wisps pursued by anti-nuclear pressure groups for propaganda purposes. The announcement last week that ENFL is now prepared to fund a full study of the link is, putting it at its mildest, late in the day.

The new climate is already bringing a tougher regulatory framework to bear on companies throughout much of the industrialised world. It is imperative that this goes hand-in-hand with an improvement in industry's internal procedures, not just on the technical front but also in the major accident will call forth a explanations offered to the

### Aftermath of a dispute

THE PROSPECT of an end to Britain's ambulance dispute, and at a cost which is rather less than ministers might have feared, will be a great relief to the Thatcher Government. But the public, which has had to endure yet another disruption to an essential public service, will want to be assured that the settlement marks, not just a temporary truce, but the improvement in the industrial relations and wage-setting pro-

The Government and the ambulance unions have put different figures on the value of the deal reached in the Whitley Council. What is beyond argument is that people have died unnecessarily as a result of the conflict. National Health Service managers and union leaders should resolve never to let the same thing happen again.

The dispute has been so pro-longed that the other health service groups covered by Whitley Council negotiating machinery are once again preparing for talks about annual pay awards. The two-year agreement should at least ensure a period of calm in which to devise a better way of rewarding ambulance staff for their distinctive skills.

The human cost of the conflict has been such that neither side can properly be said to have won. But the Government's success in resisting union pressure for a fixed pay formula similar to that for fireimportant. If it had conceded this point, it would have had difficulty resisting similar demands from other groups.

#### Complex deal

The complexity of the deal makes it harder to judge the victor on pay. Mr Roger Poole, the chief union negotiator, lapsed into hyperbole when he talked of driving a coach and horses through government pay policy. A two-year deal worth 13.3 per cent hardly does that, even if it is more generous than others for workers covered by other Whitley

The deal is better value for health authorities' money than suggested by some of the higher figures quoted in the

aftermath of talks suggested. Extra payments for paramedics are a sensible attempt to encourage a more highly-skilled service. The 2 per cent increases tied to local savings are a useful incentive to greater efficiency.

#### Mechanism overlooked

The most disappointing aspect of the agreement is that it provides no nechanism to stop tensions over pay building up again. None of the fundamental issues raised by the dis-pute – the value of local pay bargaining, the need for a two-tier ambulance service, and the

disadvantages of constrained pay bargaining in Whitley Councils – has been resolved. During the dispute, Mr Ken-neth Clarke, the Health Secretary, said he wanted to make progress on all these issues. Instead, the agreement seeks more local pay flexibility within a national framework, guarantees no extra money for health authorities to train paramedics, and assumes that the Whitley Council will carry

on much as before.

It would be a pity if the Government once again lost interest in trying to achieve a more coherent and stable form of pay determination for a group of public sector workers as soon as an industrial dispute subsided.

Instead, Mr Clarke should ensure that NHS managers apply their minds to the underlying issues before pay talks restart next year.

The agreement says that future pay negotiations should take account of "career and pay structure problems." One lesson of the dispute is that Whitley Council negotiations are often an inefficient means of doing this. Instead, separate talks are now required on reforms to the structure of the service and a new means of long-term pay determination. Such talks would provide a

chance to find a way of avoiding the cycle of pay constraint and conflict that characterises much of the public sector. Mr Clarke was right to reject a rigid pay indexation formula, but more flexible forms of long-term pay determination are possible. as the Government has already shown in the non-industrial civil service.

### Kevin Done analyses Friday's elaborate deal between Volvo and Renault

enault and Volvo are embarking on a new form of marriage. Each partner is keeping its maiden name and each will continue to live at its own address.

own address.

The pre-marital agreement, announced last Friday, specifies that each partner maintains its "integrity and independence," in the words of Mr Pehr Gyllenhammar, Volvo's chairman and chief executive. Married life will be lived out in a series of inter-committees.

ried life will be lived out in a series of joint committees.

Both Mr Gyllenhammar and Mr Raymond Lévy, Renault's chairman and chief executive, have clearly become convinced that the two groups' future is threatened by the increasingly brutal competition they expect in the automotive industry.

For Mr Lévy, Renault and Volvo are joining forces "in as balanced a way as possible." For Mr Gyllenhammar, this is a new sort of relationship that transcends the old rule of "eat or be this is a new sort of relationship that transcends the old rule of "eat or be eaten." This is an alliance, he said, where both groups will "keep their integrity, will keep both HQs, but gain considerable synergies and increased efficiency. We will be well above the critical mass needed to compete in the world industry."

The flirtation between the two groups has lasted a long time. A

groups has lasted a long time. A decade ago Renault took a minority stake in Volvo's car subsidiary. This rose to 15 per cent, with an option to increase it to 20 per cent in 1985-86. Like Friday's deal, the 1979 agreement was announced in ringing terms. It, too, was ambitious, providing for "cooperation in research, product development and production."

In the event, the aims were never realised. The contrasting financial for-

tunes of the two groups, which had drawn them together, were reversed. Originally it was Volvo's shaky finances that were the foundation for a deal. By the mid-1980s, however, Volvo was flourishing – and Renault was losing money on both cars and trucks. Hampered by its role as the flagship of French state-owned industry, it had been slow to react to the crisis of the early 1980s. In 1985, it lost FFr 10.9bn (£1.1bn). It did not exercise its Volvo options and sold back its remaining 9.4 per cent stake in Volvo Cars at the end of 1985.

Since them, Renault has staged a dramatic recovery. It cut its work-force by 30 per cent over three years; drastically improved productivity and quality; sold American Motors, its US subsidiary, to Chrysler, and recapital-ised its truck and bus operations. In 1988, it achieved a net profit of FFr 8.9bn.

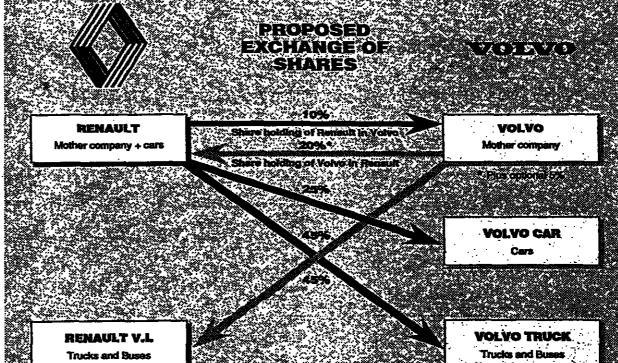
Volvo has been enjoying record profits in the second half of the 1980s, but the profitability of its car operations has been weakening, with the truck activities taking up the slack. In 1985, the car business con-tributed 95 per cent of group operating income, with the truck operations contributing 14 per cent. (There were offsetting losses in other areas.) By 1988 the truck operations were contributing 37 per cent of the total, with 50 per cent coming from cars.

Volvo has been clearing the decks in order to concentrate its resources on its automotive operations. The years when corporate survival behind it, as are its adventures in oil.

hiotechnology and food.

Now, at the beginning of the 1990s, both Volvo and Renault have their finances in order. At least for the moment, they have firmer ground under their feet. This allows them to consider visions for the future, with neither side starting from a position of particular weakness.

And each company has its individual strengths. Volvo is one of the world's leading heavy truck makers, outgunned only by Daimler-Benz. In cars, it has only 2 per cent of the West European market, but it has a strong



### With this committee I thee wed

image of safety, reliability and longevity. It is one of the most successful European car exporters to the US.

Renault is still a full range volume car maker. Although it is the weakest of the Europe's six big carmakers, it has more than 10 per cent of the west European car market, only four percentage points behind the leaders. Its truck subsidiary. Percent Victories truck subsidiary, Renault Véhicules Industriels (RVI) has a strong market position in southern Europe, France and Spain. It is present in the market for light and medium trucks, from

which Volvo is largely absent.

The two companies agree on the agenda they face. The pressures forcing them together, outlined by Mr Lévy in a recent speech, include:

The danger of a downturn in the

present record levels of European car and truck sales • Questions of "the very acceptabil-

ity of the automobile" because of such

factors as air pollution, noise, traffic congestion and safety

The quickening pace of technological change, with sharply rising research and development of the learning of page models at every models at every models. the launching of new models at ever closer intervals

• The rapid rise in capital expenditures and steeply climbing marketing costs as competition grows flercer with the attendant risk of a price

 Overshadowing all these elements. the Japanese threat. The building of Japanese production and engineering capacity inside Europe means that the

Japanese share of the European mar-ket could soon rise to 18-20 per cant from the current level of around 11 per cent. That would imply the possi-ble elimination of one of the present volume carmakers in Europe.

According to Mr Lévy, "the risk is clear to see: factory closures, even whole corporations shutting down, massive redundancies — in short the very survival of the European indus-

try is at stake."

The solution, he says, is for companies jointly to achieve economies of scale in research and development, production of engines and gearboxes, and some types of automated equipment. They must share experience, seek synergy in model ranges and dis-tribution networks in some countries,

### Political sensitivities of preparing Renault for the partnership

IN 1987, the right-wing government of Mr Jacques Chirac ran into a storm of opposition from the French Communist Party when it tried to turn Renault into a limited liability company from a "Régie," a state institution with almost unlimited

Now, the socialist government of Mr Michel Rocard is attempting the transformation, as a requirement of Renault's alliance with Volvo. Again, the communists are opposed.

Mr Mitterrand, previously against the transformation, now approves, even it appears to go against his 1988 electoral commitment to halt all privatisation or nationalisation during at least the current parliament, the "ni...ni..." doctrine, meaning

"neither...nor..."
Mr Rocard stressed voters that the
Renault-Volvo deal does not infringe the ni...ni... doctrine, since the

are not being sold to the public. Mr Rocard is correct when he adds that the doctrine has been applied flexibly. State-owned companies needing to raise capital have able to do so, whether through inge-nious new financial instruments, like Rhone-Poulenc, the chemicals group, or through cross-shareholdings with other state companies, like Crédit

state retains full control, and shares

Lyonnais, the bank. They have also been able to make acquisitions and Yet the Prime Minister last week summoned leaders of the three main socialist party movements in order to win their backing for the Renault Volvo deal, and ensure that it should not be a hone of contention at the socialist party congress next month. The last two major foreign deals by French state-owned companies – the acquisition of American National Can

by the aluminium company Pechiney, and Rhône-Poulenc's agreement in principle to buy Rorer, the US drugs company, have both given rise/to insider trading investigations.

Yet the triumph of the French right, who claimed at the weekend that the socialists had finally discov-

ered the virtues of privatisation, also appears misplaced. Although the socialists may have accepted that the boundary between public and private sectors should be permeable, they have not abandoned the idea that state enterprise has a significant role to play in the economy, and may in fact have strengthened this role.

officials also appear confident that changing Renault's status from a Régie will settle European Commission's complaints about its high government subsidies.

George Graham

and kenault
and harmonise positions on pollution,
safety and traffic congestion. "In
unity lies strength," he says.

Renault and Volvo are gambling
that they can gain the necessary economies of scale even though they are
stopping short of full merger or the
acquisition of control, the routes chosen recently by Ford with Jaguar and
General Motors with Sash.

"We think the economies of scale
lie not primarily in production but in
technology development and product
development," says Mr Gyllenhammar. "We have big advantages to gain
in these areas and in purchasing."

Volvo and Renault plan to co-ordinate product development programmes, especially in the areas of

nate product development programmes, especially in the areas of advanced engineering and components; to co-ordinate purchasing; and to harmonise investment plans, in order to secure economies of scale and limit duplication.

Purchasing should offer immediate sains: the two companies have a com-

Purchasing should offer immediate gains: the two companies have a combined purchasing volume in excess of FFr 100bn. Otherwise, however, it will take several years for the potential benefits to flow. Mr Roger Holtback, head of Volvo's car operations, says: "We have to plan very much for the second half of the 1990s. Most of our product development upperanmes are

we have to plan very much to the second half of the 1990s. Most of our product development programmes are set for the next three to five years."

Mr Holtback is clearly envisaging joint development of new vehicles, at least for niche segments. One possibility, for instance, would be to draw on Rensult's strength in people carriers, as in its Espace model, and Volvo's strength in traditional estate cars. "When you see sky-rocketing development costs and increased globalisation," says Mr Holtback, "you must have the necessary volumes and engineering capacities."

On the truck side of the automotive equation the threats appear no less menacing. According to Mr Sten Langenius, head of Volvo Truck, the cost of achieving the levels of emissions that will be required in future "will be of such magnitude that a consequence

of such magnitude that a consequence will be the restructuring of the truck and truck component industry world-At the same time the deregulation of the European transport industry will lead to the creation of bigger, more powerful transport groups, able

to exert downward pressure on the truck industry's margins. With profit-ability already unsatisfactory in parts of Europe and in North America, Mr Langenius predicts further shake-outs and mergers.
Volvo and Renault have decided to

face the gathering storms hand in hand Whether mauriage by commit-tee proves an adequate response remains to be seen. There is, for example, already one significant difference between the two groups' posi-tions. For Mr Lévy – though not for Mr Gyllenhammar – the process of uniting the European automotive industry must go on behind continuindustry must go on behind continuing walls of protection from its Japanese rivals. "Too sudden an opening of European markets to the Japanese would destroy the European car industry," he said late last year. Such differences may simply underline the "integrity and independence" the two companies are determined to retain. None the less, the task of coordinating two teams of engineers.

co-ordinating two teams of engineers, product planners and purchasers each equally set on integrity and inde-pendence — will not be easy. The elaborate structure linking the two groups will have to take a great deal of strain.

Ominously, at a chaotic press conference in Amsterdam on Friday, the structure seemed less than robust. Neither Mr Gyllenhammar nor Mr Lévy was able to take charge of the occasion for fear of upstaging the other. If the newlyweds are to realise the hopes they pin on matrimony, they may have to sacrifice such deli-

### Letters to the Bank

■ The Bundesbank receives a lot of letters and telephone calls these days, not least because of the possibility of monetary union between East and West Germany. Recently it has been fielding about 200

calls a day on the subject. Important though this is, however, it is as nothing compared to the reactions to the Bank's decision to start advertising. .. The central bank is not

exactly promoting itself. It is mounting a campaign to publimounting a campaign to punc-cise and explain West Ger-many's new banknotes, which go into circulation next Octo-ber. Stimulated no doubt by the

historic questions now facing the two Germanys, the response to the invitation to write for more information has been enormous - some 15,000 letters in the two weeks since the full-page advertisement was first run.

Not all the letters are directly about money. Some women want to know why female faces will tend to be restricted to the lower denomination notes. The Bundes-bank's answer is that these are the ones in greater use and

are thus seen more often.
There is also a point of style.
On the DM1,000 note, which few will possess, is a picture of the Brothers Grimm of fairy tale fame. In the German text tale lame. In the German text of the ad, they are called Die Gebrüder Grimm, as they are generally known. But Gebrüder is normally used in company names. Brüder would be grammatically correct.

The Bank has five people working full time on the letters. One day last week, three secretaries sent of 6 000.

three secretaries sent off 6,000 Moreover, the weight of pub-

lic opinion may force one sig-nificant change in central bank policy. In view of the momenloped Berlin and in response to popular demand, it is consid-

### **OBSERVER**

ering putting the city's Bran-denburg Gate on some of the notes.

### Think of it

"If all the articles that are normally found in the kitchen - plates, pots, cutlery, electrical appliances large and small

— were laid end to end, it

would add up to a good many
metres." Press release from
a Milan kitchen furniture trade

Piper's Boom ■ The game of musical chairs following the marger of Coo-pers & Lybrand with Deloitte is claiming a senior victim this week, but he is going straight

into a new career.

Geoffrey Piper went to Liverpool from Jersey in 1986 as
Deloitte's senior partner.

Nobody in the firm wanted the job because of Merseyside's reputation, and he says he will never forget the look on his

wife's face when it was offered.
The 46-year-old Piper has
now lost the contest to be the
new firm's top man in the new firm s top man in the north-west region — the post goes to John Jeffrey — and is leaving the company. But there will be no going back to the south or offshore. The Pipers are staying put because they like where they are. Three years ago Piper founded Boom — Business Opportunities on Merseyside

- a lobby group of private sec-tor and political leaders to help promote economic revival in the region. So when a head-hunter called to see if Piper could suggest names for a chief executive of the north-west business leadership team, he put his own name forward. The team consists of about 20 senior industrialists chaired

by John Ashcroft of Coloroll and includes the Duke of West-

minster, Sir David Alliance



"... Hello, I'm canvassing for the Conservatives at the coun cil elections...Hello, I'm..."

of Coats Viyella and Des Pitcher of Littlewoods. It wants to see greater business support for community projects and economic regeneranything attempted before by bodies such as Business in the

Community.
There is a belief in the area that Shell got away with a rela-tively light fine (£1m) last week for polluting the Mersey partly because of its support for worthy causes like Piper's Boom. Doing good could be an insurance against the occa-sional clanger.

#### Irish troubles

■ "Shiney", an Australian resident in Dublin for nearly 150 years, is finally going home. At least part of him is on its way back down under.

Shiney" is the preserved head of an aboriginal warrior who died in the middle of the last century. The head was donated to Dublin's Royal College of Surgeons in 1845 by a doctor back from the Antipo-des with his dubious booty.

Recently the presence of "Shiney" in the Irish capital has been generating some embarrassment. Rikki Shields, an Australian aborigine, arrived in Dublin to lobby politicians for the return of "Shiney" to Australia. "Nobody can own somebody else's head," said Shields. Next came Michael Mansell, who claimed he was a direct

descendant of "Shiney", Man-sell said "Shiney" had been murdered while working at Hobart docks. His head had emoniously carried off to Europe. Mansell insisted that his ancient relative could not die until his head received a sacred burial.

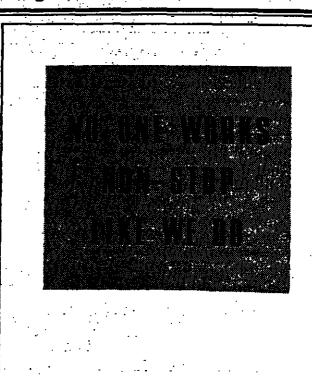
The Royal College of Sur-geons in Ireland has now given in. But there may still be arguments about a final resting place. The Irish surgeons say they want "Shiney" to go to the National Museum of Australia. "Shiney" campaigners are demanding special burial in Tasmania.

#### Two Becketts Far and away the best of the British political reference books is Dod's Parliamentary Companion. The 1990 edition,

however, contains an unchar-acteristic error. The biography of Margaret Beckett, the once left wing wing Labour MP for Derby South and now the very model of a statesmanlike shadow minister on Treasury matters, is printed twice: once manars, is printed twice unter-alongside her own photograph and then beside a picture of Roy Beggs. Beggs is the Ulster Unionist MP for East Antrim. Apologies have now been made and a special cutting of his biography has been sent out to paste over the mistake.

#### Argentina

What is better value for money in Buenos Aires - a bus or a taxi ride?" "The taxi ride, because with a bus you pay when you enter and the taxi when you get off."



Only JAL have 17 flights a week from Europe to Japan.



Carla Hills is still going through what Clayton Yeuter was going through in his first couple of years — and that is trying to deal in good faith, not understanding that the Japa-nese in all honesty don't and that they can't.
- Senator Jay Rockefeller

Yeutter a year ago. She brushes off the Rockefeller comment, noting that the sena-tor, a Democrat, is one of those who support "managed trade."
Then she launches into a lecture about how the managed trade approach — which would involve bilateral agreements on import targets - could actually limit US sales.

"Managed trade sells our entrepreneurial system short, The bureaucrats never know exactly what the market knows better," she says.

The debate over managed versus free trade persists in Washington, where the years of US trade deficits have unleashed a hostility and cynicism towards Japan that had been thought laid to rest after the Second World War, in political terms, Mrs Hills is perched above a smouldering volcano.

If the US economy weakens, and if Mrs Hills fails to convince the Japanese Govern-

ment and companies to change the country's business ways, protectionist pressures will igain grow close to eruption.

Mrs Hills, however, displays a gritty self-confidence. "I wouldn't have been able to have survived a year in this position if I weren't an under-

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lying optimist," she says. "I do think when I am pushing the correct argument, that I'm not the only rational being." With the Japanese elections past and the LDP still firmly in control, Mrs Hills has high hopes for progress in the bilat-eral negotiations under way this week over access to

Japan's supercomputer and telecommunications markets. As the world's second largest market, Japan must absorb a great deal more imports if the world trading system is going to function property, she said.
"Altruism is out. Self interest is in," she said. "Japan relies on trade and investment. If it so poisons the atmosphere that barriers are put up, it will have killed that goose that has laid,

and continues to lay, the golden egg.
"Is it going to be easy to get change? No. They have their own political limitations just as I have mine."

Carla Hills, US Trade Representative, tells Nancy Dunne about her Government's policy towards Japan

### This assertion, delivered in a Senste hearing, evokes a frosty glare when repeated to Mrs Hills, the meticulous, determined US Trads Representative who succeeded Mr Yeutter a year ago. She the skill to negotiate

An early view of Mrs Hills in Congress was that, as a new-comer to the arcane world of trade, she would be easily outmanoeuvred at the bargaining table. She came to the job, however, with government experience: former Housing Secretary in the Ford Administration (where she performed well enough to encourage her supporters to push her as a candidate for Vice President in 1976) and a former Assistant Attorney General. A member in good standing of the Washington moderate Republican establishment, she is married to Mr Roderick Hills, former chairman of the Securities and Exchange Commission.

Her performance last year gained her increasing respect in Washington. From her inau-gural promise to use a crowher to open markets, to her defit handling of the potentially lethal powers granted in the 1668 trade bill, she has achieved a number of concessions from US trading part-

"There was enormous anxiety about my appointment,"
Mrs Hills said of Congress. "They had to get to know me and recognise that I did understand the issues and I would not tell them something that was not what I believed . . . I have established my credibil-

Seen from abroad, Mrs Hills came across as a slow starter in trade diplomacy. Her reputation for toughness preceded her into the international arena. This led to worries that she would refuse to listen to the arguments of others and that she would prove inflexible

The problem was com-pounded by the heavy work-load of her early time in office and delays in Congressional confirmation of her key aides. Her first year was packed with deadlines. She implemented the US-Canadian Free Trade Agreement; negotiated a new quota agreement under which the major steel producing nations agreed to end government support for the industry, and produced the first list of unfair traders required under the 1988 trade act, singling out Japan, Brazil and India.

Under threat of US retalia-tion, Argentina, South Korea, Talwan and Saudi Arabia increased their protection of intellectual property rights; South Korea promised to eliminate important market barriers and liberalise foreign investment rules; and Japan agreed to open its telecommunications markets to US cellular tele-phones and third-party radios. It was only after last Autumn's Trade Ministerial meeting in Tokyo that she emerged to win widespread plaudits for taking the lead in pushing forward the Uruguay Round of multilateral trade

negotiations.

None the less, there is con-cern among US politicians that she has only succeeded in delaying an inevitable trade war with Japan Her optimistic assessment that progress can be made draws scepticism in Congress. Many concur with the thinking – known as the "revisionist" view – that Japan is so different from other countries, so averse to foreign intercourse for purposes other than profit that it will be unable to change its basic mercantilist nature. Mrs Hills says she is an

admirer of the Japanese for "their tremendous energy, their industry and culture," and she sees signs of change in the rising tide of Japanese imports. The US merchandise year slipped from \$51.8bn in



Carle Hills: 'Altruism is out. Self interest is in

1988 to \$49bn with imports rising much faster than exports.
"They have to work fast to catch up," she said. "I'm just fearful that they won't run fast enough before the animosity, which doesn't have a safety valve, reacts in a way that is

There are, she added, diverse shades of opinion in Japan on trade, just as in the US. Some ministers she meets are "forthcoming"; others "read from a script." Her challenge is to "energise" the former, backing that up with direct appeals for open markets to Japanese busi-ness and consumer groups.

Mrs Hills has also embarked on a series of public appear-ances to gain domestic support for US policies in the Urugnay Round. The gains of 1989 pale beside the challenges of 1990 as the members of the General Agreement on Tariffs and Trade head into a final year of

formidable negotiations.

She is determined to negotiate "clear and enforceable" rules governing the trillion dollars of trade not covered by the multilateral pact. But, to ensure Congressional support for US concessions, Japan must be seen as ready to take its share of pain.
The Administration has

adopted a dual approach towards Japan, meeting Congressional demands for sectoral negotiations to open the market for imports of super-computers, satellites and wood products. A second broader set

of talks is targeted at embedded trade barriers under the Structural Impediments Initia-

tive.
The focus has been on anticompetitive Japanese practices an unwieldly patent system, hid rigging, price fixing market allocation, group boycotts – which have been documented by overseas entrepreneurs. Mrs

Although the talks have so far yielded little, the two sides style consistent with Mrs Hills's penchant for demanding "action plans." An interim report outlining what both sides can do to rectify the trade imbalance is due in April; a final report containing a down-payment must be forthcoming

by summer,
Mrs Hills is fully aware that past attempts to move Japan have proved futile. But as the globe becomes more interda-pendent, as they invest here, as they understand from their own best interests that their opportunities are going to be cut off, we have to have hope." If all else fails, she is pre-pared to use the US market as a weapon, but such a course would be "very disappointing."

"Retaliation won't get the markets open," she said. "I will have to take action that closes additional markets. But some-times you have to take the unhappy solution to ultimately achieve your aim. I hope my trading partners understand. That's not my preferred course

### LOMBARD

### Sterling's entry rate into the EMS

By Samuel Brittan contemplate such a package.

The authors believe that the

A NEW paper\* by the National Institute of Economic and Social Research discusses the exchange rate at which the UK should enter the EMS. Readers will not be surprised that it failed to convince me. But like all good papers it is useful in clarifying where one might disagree with the authors and also in pointing to a policy alternative. In the a policy alternative. In the main two cases examined, sterling is pegged to the D-Mark from the point of entry at the beginning of 1991. Entry, according to the authors, would involve a shock-horror devaluation to DM 2.35 or DM 2.4. British short-term interest rates would also have to fall smartly to reach 1 to 2 per cent above German rates. But that is not all. To offset the stimulative effects of such low rates and to make room for the expected devaluation boost to exports, fiscal policy would have to be tightened to an extent not dreamed of by John Major, the British Chancellor, in his worst nightmares. Taxes would have to be raised or expenditure cut by £4bn to £5bn this year, and a further £7bn in 1981 with a liftle more

drop to 2 per cent before the closing years of the century.

No one in his senses would

as the fundamental equilib-rium exchange rate, and that this is best calculated not by the purchasing power parity (estimates of which suggest that sterling is undervalued and that the appropriate exchange rate is well above 3 DM), but by "econometric equations representing the flows of trade that actually take place." • That short-term changes in fiscal policy have powerful effects on demand. ● That the EC inflation rate will average 2½ per cent per annum and that European interest rates will fall rather than rise over the next year. Even optimists about the effects of German monetary in 1992, just as a sweetener for the electorate. But despite these draconian shifts, underlying inflation would be hoverunion now expect the German inflation rate - let alone that ing around 6 per cent per annum until the middle of the decade and would not finally of neighbouring countries - to average 3 per cent. Neverthe-less, it is the first three

head-on conflict about these assumptions, let me point to an alternative entry policy sketched by the NIESR. This is the "Italian case" and allows for occasional sterling devaluations against the D-Mark after The authors believe that the UK current account deficit reflects not merely excess demand, but a real exchange rate overvalued by 5 to 10 per cent – which makes its recovery in the early part of 1990 seem particularly perverse.

The NIESR view is based on certain crucial assumptions: entry averaging 2 per cent per annum between 1991 and 1995. The suggested entry rate of DM 2.6 is still too low, but at least it avoids the horrendous devalcertain crucial assumptions:

That there are negligible long-term capital inflows and that the UK current deficit has uation and tax increases of the main cases. to come down to near zero.

That there is such a thing

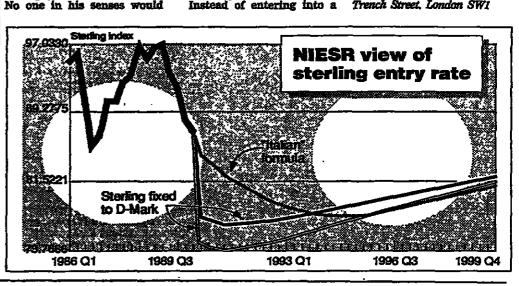
Indeed, the band of 6 per cent around the central parity which the Italians had until a few weeks ago and the Spaniards still use, would allow an initial entry rate at the current sterling rate or higher, but with adequate insurance just in case there turns out to be something in NIESR fears. One great advantage of the Italian formula is that it would

that he favours a strong pound and maintain for the time being a large interest differen-tial in favour of sterling by joining the EMS at near the top of the wider band.

Did I hear someone say that

Britain cannot be compared with Italy? Indeed, it cannot. For Italian growth and inflation performance have been so much better. But even the British can still learn.

\*An Analysis of the Optimum Level of Entry for Sterling into the ERM. Simon Wren-Lewis and Associates, NIESR, 2 Dean Trench Street, London SW1



assumptions that are the more

interesting and controversial.

### No new timber growing in the socialist forest

Sir, To judge from Marjorie Mowlam's tone (Letters, Febru-ary 20), the whole capitalist system is under threat from the bankruptcy of Drexel Burn-ham. In fact, nothing could be further from the case.

A reasenably large tree has fallen in the capitalist forest, resulting in some localised squawking and enforced relocation, but the rest of the forest is still standing and new growth is shooting up from the floor to fill the available space. That is how our system works

and why it is so successful --there are winners and losers,

From Mr Richard Sykes.
Sir. Your report ("Glaxo in row over drug cancer claim." February 17) does less than justice to the scientific objectives of our inxicologists who wrote a letter to The Lancet on the testing of anti-ulcer drugs.

The pharmaceutical industry

devotes many millions of pounds and many years to the development of a new medicine. It is very much in its interest to eliminate toxic compounds at the earliest possible stage in the development pro-

For that reason over the last three years scientists at Glaxo Group Research have been working to develop a more effective screen for new compounds before they start the

position.
But Ms Mowlam looks East

not West. Typical of Labour policy, she wants to replace a system which works, with one that does not. Somehow she has failed to notice, that in the socialist model forest, all the rotting timbers have fallen and nothing new grows in between. Financial markets are prone to periods of excess. The latter stages of the "junk bond" era no doubt brought examples of excess for which some, but by

no means all, will suffer. Nev-ertheless, the high interest bond market is not dead. It is,

with a constant renewal of and was, a vital source of finance to the 99.9 per cent of But Ms Mowlam looks East

US companies which were not investment-grade" ratings by the credit agencies. Is not Marjorie Mowlam's real motive to seek to use the Drexel bankruptcy - a hugely complex issue with many contributing causes - to construct a case for opposing take-overs? Virtually every impartial study on takeovers concludes that their effect is beneficial to the economy at large, because they break up management log jams when successful and, when not, stimulate incumbent managements

Glaxo scientists' tests not a marketing ploy

toxicity testing required by regulatory authorities. The new test detects the ability of a drug to cause damage to cells in the target tissue - the lining of the stomach in the rat which increases the potential

for cancer. Glaxo scientists applied the test to loxtidine, a Glaxo research compound which had previously been shown to cause tumours in rats, but got a negative response. For comparison, omeprazole, a com-pound discovered and marseted by AB Astra (and also shown to cause tumours in rats), was examined. Our scienwere surprised and concerned to note a positive response which was reaffirmed in five separate experiments.

Other anti-ulcer medicines exposed to this test, including one of another company, gave negative results.

Glavo has taken the findings

of these tests very seriously. They were communicated direct to Astra and the letter sent to The Lancet. This test cannot be dis-desed as "a marketing ploy." The results raise important questions and will now receive serious consideration and independent evaluation by the international medical and sci-

Richard B. Sykes, Group Research & Development Direct Development Director, Glazo Holdings, Lansdowne House, Berkeley Square, W1

standing of the circular flow of money is so feeble (unless it is a cynical attempt to mislead) that she asserts money raised for "deals," somehow drains a cynical attempt to misk the pool of money available for assets. Her case is not made.
The only chance of a truly junk bond market of any size in the UK, would be that in government securities if a Labour Government were to come to power. Fortunately, I do not think it will.

1 Grospenor Place\_SW1

Education's value

From Mr Simon Taylor.
Sir, Samuel Brittan suggests
("A lesson in inheritance," February 22) that the notion that education is valuable for its own sake is "subversive of the human capital view."

I am not sure this is so: it simply means that some of the long-term flow of benefits come in kind as opposed to money earned. The decision to invest can still be interpreted in a human capital framework.

The issue for policy remains how far the benefits from educational investment accrue

solely to the individual and how far there is an extra bene-fit to the rest of society. Simon Taylor, St Catharine's College, Cumbridge University

### Roof tax: the case for 'standing and consumption charges'

From Mr J.A. Charman. Sir, Your editorial comment ("The Case for a Roof Tax," February 16) comes down in favour of a property tax based on capital values, supple-mented by a local income tax. I would support the first part of your preferred solution but not the second because I do not believe that taxpayers would want local authorities to have details of their income. Instead, I would take a leaf from the book of the public utilities delectricity, gas and talephone) and treat the property tax as a "standing charge" supplemented by a "consumption charge" based on the number of adult occupants.

The property tax element, like the new uniform business rate, would have future rises linked to inflation and the consumption charge would have

no such link it would, how-ever, be set initially at a very low level and every adult on the electoral role would pay it. The high gearing effect of this would mean that any local authority then wishing to adopt a spendthrift policy would quickly find itself out of power when that policy started to hurt the pocket of its users, whereas the more prudent authorities would be able to point to the low level of its "consumption charge" as proof of good husbandry. J.A. Charman, 28 Milibunk Court,

From Mr Henry Late. Sir, Your editorial comment ("The case for a roof tax," February 16), in fact, set out the case for a tax on land values.

A local tax on land values alone would be much fairer and simpler than a tax assessed on the value of land, bricks and mortar together. There can be no justification for a tax which penalises those who modernise or improve who modernise or improve their premises, yet exempts from payment those who allow buildings and land to stand vacant and derelict. It is survacant and derenct. It is surprising that the Labour Party
is not proposing a local tax on
land values, since this would
also achieve one of Labour's
long-standing aims — collecting development value arising
from planning decisions.

The Layfield Report of 1976
dismissed land value rating
from consideration principally

from consideration principally because it would have con-flicted with the workings of the Community Land Act, but the

Although Layfield came out in favour of a local income tax, its introduction would be fraught with practical diffi-culty. Being based on mobile people rather than fixed prop-erty, a local income tax would suffer from all the difficulties of administration which are now coming to light with the Poll Tax.

How would a local income tax system deal with invest-ment income and rebates? How would the local income taxes (and rebates) be apportioned when people moved between local authority areas during the course of a tax year? What would prevent people lodging themselves at "addresses of convenience," where the rate of local income tax was low? Henry Law, 19 Queen's Gardens, Brighton, Sussex



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### FINANCIAL TIMES

Monday February 26 1990



HAVEL EXPECTS CRUCIAL BILLS THIS WEEK

### Czechs lay base for market system

By John Lloyd in London

THE CZECHOSLOVAK Government is today likely to approve three bills which will lay the foundation of a market

President Vaclav Havel said yesterday at a rally organised by the opposition group Civic Forum that he expected the bills would be presented to par-liament this week or next. But he also warned his countrymen of the hardships they would have to endure on

the newly planned road to prosperity.

"The recovery will last many years and will be paid for with many a hardship," he told the

rally.
"It will be a punishment for

our passive participation in this work of destruction," he explained, alluding to the Honecker 'expropriated ransom funds'

MR ERICH HONECKER. the

former East German leader, is under investigation by the East German judicial authori-ties for having allegedly expro-priated DM75m (\$44.6m) last

year in connection with the regular ransom paid by the Bonn Government for East

The inquiries, confirmed yes-

terday by the East German public prosecutor's office, form

part of the investigations into suspicions that the former state and party chief was

The prosecutor's office in Berlin underlined yesterday

that the investigations into Mr

Honecker – who has cancer and is being cared for by an East German pastor – have

The allegations of expro-

priating funds may turn out to be grossly exaggerated. Offi-

cials at the Bonn Ministry for Inter-German Relations, which

handled prisoner exchanges until they were stopped after

the East German revolution last autumn, insist that the

political prisoners traded at around DM100,000 a head were

exchanged for goods, not for

Nonetheless, the East Ger-

man judicial action will focus

attention on a practice which

direct cash.

guilty of "high tresson."

German political prisoners.

acceptance of Communism by the majority.

The three bills are: • A law on state enterprises which will permit the typically large Czechoslovak state companies to sell shares to their

● A law on private enterprise which will allow Czechoslovak citizens to start companies of their own with no limits on numbers employed or amount of output, and with the same rights as state companies.

• A law on shareholding companies which would allow foreign capital to own up to 100 per cent of a company based in

Under preparation is a fourth bill which would demonopolise foreign trade and to trade directly with foreign

counterparts.

The original package is set to go to a Cabinet meeting today though officials say it may be postponed until later in

The free market zeal of the Government's economic ministers - Dr Valter Komarek, the first Deputy Prime Minister, Mr Vladimir Dlouhy, the Plan-ning Minister, and Mr Vaclav Klaus, the Finance Minis-ter – has been tempered in the first three months of government by a gathering realisa-tion of the size of the problems facing their country and of the necessity for harsh measures. Mr Jan Urban, Secretary General of the Civic Forum

and an adviser to President Havel, said in London last week that the government was "delaying economic reform because it did not want to be unpopular with the people before an election."

Mr Urban said that the next month or two represented an unrepeatable opportunity for radical measures, when people were prepared for sacrifice.

The upcoming economic measures will begin the job of introducing the market into the exceptionally statist Czechoslovak economy. However, harder decisions, as on prices and subsidies, rents and currency are likely to be left until the elections deliver a government with a popular mandate.

rassed over the frankness of

Mr Carstens' revelations. More

than 30,000 East German detainess were freed over the years as a result of the exchanges. Mr Ottfried Hennig,

a state secretary in the Inter-German Ministry, admitted at the beginning of the month

that the systematic ransoming

was one reason for the paucity

of significant post-revolution opposition figures in East Ger-

many.

Mr Ludwig Rehlinger, a former state secretary in the Inter-German Ministry, who was a key figure in the exchanges during the 1980s, is believed to have written a book or the procedure and the secretary of the secretary in the secretary of the secretary o

on the practice and to be seek-

on the practice and to be seek-ing approval to publish it.

Mr Wolfgang Vogel, the East German lawyer who was for years Mr Rehlinger's interme-diary, is helping to defend Mr

Honecker during the judicial

• East Germany's interim Prime Minister, Mr Hans Mod-

row, said yesterday he would lead the refashioned Commu-nist Party in elections next month after all, writes Lealle

He disclosed his candidacy to

a party congress in East Ber-lin, which approved a change

of name from Socialist Unity

Party to the Party of Demo-

### adventures, dies at 70

By Roderick Oram in New York

Forbes,

MALCOLM FORBES was not a shy man. His passion for life was matched only by his flair for publicity and an unwaver ing commitment to the American way. He named his private jet Capitalist Tool.

collector of

The US publisher, a voracious collector of adventures and treasures, died in his sleep of a heart attack on Saturday

sorming. He had celebrated his 70th birthday last summer with a \$2m party at his palace in Morocco. Hundreds of the rich, famous and powerful from around the world had descended on Tangier in a pair of rented 747 airliners and

flocks of private jets.

Assailed by some for his conspicuous consumption, Forbes rode the updraft of publicity with the same deft touch he piloted his hot air balloons in numerous der-ring-do flights the world over-

ring-do flights the world over.
His last public event on Friday typified a zest which
landed him in society columnsmore often than the business
pages: he had hosted at his
London home a bridge tournamount pitting IIS typesage ment pitting US tycoons against British MPs and peers.

Mr Forbes flew back to the US in his private jet, arriving at Timberfield, his New Jersey estate, at 5.30am Saturday. He his doctor and friend, later in the day. His houseman looked in on Mr Forbes early in the afternoon and found he had

died in his sleep.

Born in New Jersey in 1919,
Mr Forbes was the third son of
Bertie Forbes, a Scottish immigrant, who founded Forbes
magazine in 1917. A distinctive and influential mouthly magazine, it reflected the spirit of Bertie, Malcolm and in recent years Malcolm Jr. The magazine has been the

bedrock of the Forbes fortune.
Famous for its annual league table of the world's wealthiest people, the magazine was always scrupulously circumspect about Mr Forbes' own fortune. He said other rich people could tell tax col-lectors they were victims of inflated estimates by his researchers. Any number attached to his name, though, would ring of insider truth. Outside estimates of his wealth range from \$500m to \$1bn.

He inherited the magazine on his father's death in 1954. His career as businessman, socialite and collector began in earnest. Today, Forbes' headquarters in Manhattan is also a museum for some of his most prized objects.

While Forbes and other publishing ventures blossomed under his guidance, it was his recreational activities, particularly motor-cycling and bal-looning, that caught the public

"People think you're eccentric if you ride a motorcycle. Unless you're poor. If they're poor, they think you are nuts," he once said in an interview. Always ebullient, friends said he was happiest gathering a group together for an adventure somewhere in the world, whether on bikes, in balloons

Continued from Page 1

of taking on some of the com-pany's bridge loans. This intensified speculation that First Boston needed to sell part of its bridge loan portfo-ilo to raise cash. There were widespread reports that First

### The meaning of life for the banks

Lloyds Abbey Life's good results last Friday said one thing about Europe's vogue for banking and insurance tie-ups. Its share price since its creation in late 1988 says something else

thing else.
From this case and some others, like that of France's Crédit Agricole, it seems incontrovert-ible that when an in-house life insurer goes to work on a bank's captive customer base it can build market share rapidly can build market share rapidly and at low cost. The poor performance of Lloyds Abbey's shares, since Lloyds Bank took 57 per cent of Abbey Life without a proper bid, is equally worth pondering.

It stems partly from the vanishing of the bid premium from Abbey's share price. The other reason is that by folding a finence house and its estate.

other reason is that by loaning a finance house and its estate agencies into Abbey to make Lloyds Abbey Life, Lloyds created a stock that was largely a UK interest rate play. This is where the whole issue gets

slippery.
Operationally, UK data suggest that selling via a bank branch can give a life insurer a return on equity of 25 per cent or 50, compared with little more than a third of that via a hole than a time that that a broker. Iloyds Abbey is still a long way from matching Crédit Agricole's Predica life assurance subsidiary, which went from zero to 11 per cent of the French life market in three

But Lloyds Abbey has already edged its UK market share up from 3.8 per cent to 4.1 per cent, and the sales staff it uses to tap Lloyds's customers are selling five times the

industry norm. The ambiguities come from the way the character of bank-ing and insurance profits dif-fer, so that combining them may not always be as good an idea as it looks. In 1989, falling earnings at Lloyds Bowmaker, the finance house, took a little of the shine off Lloyds Abbey Life. It can work the other way round, too. Bankers newly enamoured of life assurance should look at some 1970s share price charts and see what inflation does to insurers.

#### Eurotunnel

The Channel Tunnel may have survived its latest crisis, but some in the market have started to worry whether the five UK contractors will need to make provisions for potential losses on the contract. There are two obvious elements of exposure: the lump sum payments on building the terminals and the agreement on tunnelling overruns. On the former, there is a £400m (\$680m) gap between the final Lloyds Abbey Life Share price relative to the FT~A All~Share Index

cost estimates of Eurotunnel

1989

and TMI.

Over the next few years, that gap will be reduced by argument or, if necessary, by arbitration. Apparently, there will be no big decision on the whole amount, just a series of smaller that the series of smaller than the series decisions. That seems likely to ensure the eventual extra costs to be borne by the contractors will be somewhere between zero and £400m.

On the question of tunnelling cost overruns, as is tricky. The contractors' camp says it is happy with the current ceiling; but this is a project where costs have already jumped 50 per cent. In construction terms, though, the project is still at an early stage - only a quarter of the costs have been incurred and for the contractors to provide for further rises at this stage would do little to bolster either banks' or shareholders' confidence ahead of a £1.5bm

funding exercise. For the moment, the contractors say that they can make a profit on the project. So why make provisions? Given the contractors' exposure to the housing market, investors may currently have plenty of rea-sons to avoid the shares any-

#### Globe/Electra

Strategically, Globe Invest-ment Trust's sale of its holding in Electra makes sense. The sector has been tidying itself up over the last decade and this was one of the last sub-stantial crossholdings. And it general trust to concentrate eight per cent of its portfolio in

one holding. But there are some logical quirks about Globe's method of disposal, however laudable it may to offer shareholders first bite. Shareholders are being sold what they already own on the implicit assumption that Globe can invest the proceeds in a better vehicle than Electra. Why then should Globe's shareholders find Electra shares appealing? Globe says it will increase its own unlisted portfolio; but shareholders might well feel that Electra has more experience in this field and is likely to succeed

there is obviously some value for Globe shareholders in owning their Electra shares directly rather than indirectly ly But otherwise the value is hard to grasp. The discounted issue price may appear to make the Electra shares more attractive, but Globe's net asset value falls accordingly. Riectra's shares dropped to only 5p above the offer price yesterday, indicating that the market also expects the issue

girg h

4.872

\* w

market also expects the issue to create an overhang.
Admittedly, Globe's alternatives — a free issue or a placing - would also face objections. But the problem is the inevitable result of Globe having allowed a single investment to bulk so large in its ment to bulk so large in its

### **Brewing**

The haggling between Elders and Grand Metropolitan over and Grand Metropolitan over their pubs/breweries deal seems to have reached a curi-ous kind of public stalemate. But there seems little doubt that GrandMet is in the stronger position. Last week's results from Elders confirmed the impression of strain being suffered by Harlin in financing its investment, at a time when Mr Elliott is also finding difficulty in getting the right price for his Scottish & Newcastle stake in the London market. The deal also looks less important to GrandMet in terms of scale; even an outright sale of the breweries would fetch less then the sale of Alpo in the US. On the other hand, the market may take less kindly to suggestions emanating from Australia that an Elders/ GrandMet deal would involve an equity swap. The whole point of asset disposal from the market's viewpoint is that GrandMet should reduce its debt mountain.

In addition, any substantial link with the tangled Elliott empire would make Grandtransparent. Granted, last week's results from Elders showed strong growth in brewing. But that was helped by the completion of the brewery merger in Canada and by the weakness of Elders' one big Australian competitor, Mr Alan Bond. It is not to be supposed that Mr Elliott is just another busted Australian entrepreneur; but his recent record is patchy, all the same.

### **Bush asks Kaifu to** review trade friction

to keep under cover. It started many paid East Germany

By Robert Thomson in Tokyo

MR TOSHIKI KAIFU, Japan's Prime Minister, has received a sudden invitation from President George Bush to visit the US this week to discuss growing trade friction between the two countries and developments in north Asia. Before the invitation, US offi-

cials had expressed disappointment at the lack of "political will" in Tokyo to redress the enduring trade imbalance, and the lack of new ideas produced by Japanese negotiators at talks to remove "structural impediments" to trade.

Mr Kaifu had been expected

to visit the US in late April or May. But during a telephone call from Mr Bush on Friday congratulated on his election win last week and invited to meet the president in Palm Springs, California, this Friday.

The rush visit will come at

the end of a week in which Mr Kaifu has to announce a new cabinet for which political manoeuvrings continued yes-terday - and deliver a major policy speech to the Japanese

Japanese government offi-cials are concerned that debate over the country's \$49bn bilateral trade surplus could enter a new phase of confrontation in new phase of communication in coming weeks. The Structural Impediment Initiative (SII) talks and outstanding actions under the punitive Section 301 of the US Trade Act are soon to The third round of SII talks ended in Tokyo on Friday, with US officials expressing frustra-tion with the "prospect of mini-mal further action" by Japan to reduce the surplus. They warned that Japan could be at the mercy of a hostile US Con-gress unless concessions were

as long ago as 1963 and subsequently became institutional-

Lifting the normal veil of Bonn secrecy over the prisoner exchanges, Mr Manfred Car-

stens, a state secretary in the

Finance Ministry, revealed ear-lier this month that West Ger-

On trade. Mr Bush is expected to ask Mr Kaifu to oversee changes to the complex distri-bution system and land use regulations, and to tighten anti-monopoly laws to ensure that US companies are able to compete in Japan.

But the suddenness of the trip and the busy political diary in Tokyo this week will make it difficult for Mr Kaifu to produce any new trade poli-

During the talks the president will explain last week's amouncement of planned US troop cuts in Japan, which came as a surprise to the Japanese Government. He is also likely to offer more support to Tokyo in its dispute with the Soviet Union over ownership of the South Kurile Islands, or, as Japan calls them, the Northern

Japanese officials are wor-ried that Mr Bush and other senior US officials have been focusing on events in Eastern Europe to the detriment of their interest in Asia. Tokyo will be looking for reassurance that the bilateral relationship's importance remains undiminished by the trade dispute. Grasping the skills to negotiate, Page 17

### Saatchi intends to keep core business

DM300m - DM400m a year for

This figure appears to include both liberation of spe-

cial category political detain-ees and also the less costly payments for "bring together families" across the East-West

Erich Honecker, accompanied by his wife Margot, leaving an East Berlin hospital after treatment in January

in the company.
This might include seeking partners or outside capital but not selling or diminishing its core business. "We are review-ing the business root and branch," the company said last

night.
The company announced on

This announcement came after its shares had fallen by almost a third in two days to 138p. Sentiment was also hit by renewed publicity for a US shareholder lawsuit alleging that adverse information on the company's prospects had been concealed.

Saatchi said yesterday that cost controls and budgeting had in the past gone awry and were at the root of its difficulties. "That has been brought under control," the company said. The business continues to perform well at a revenue level, in spite of the slowdown in advertising spending, it said.
"The advertising businesses are the best in the world as it was considering retaining an equity stake in some of the management consultancy busies that it put up for sale in June. It wants to facilitate their disposal on acceptable terms in a difficult environ-

a stake it will," the group said.
It emphasised, however, that
the disposal of management consultancy operations - in order to concentrate on the communications businesses -

week that it hopes to unveil a management buy-out towards the end of next month.

result of its campaigns for Britain's Conservative Party,

redeemable at a cost of £210m until 1993. That may afford the group a window of three-and-a-half years to get its house in

Miro is the subject of pending investigations by the US Inter-nal Revenue Service and the Immigration Naturalisation

Service. The sub-committee has asked the US Attorney-

General to "investigate and consider prosecution for any possible criminal violations of federal laws."

Failed Promises, Insurance

Company Insolvencies: A
Report by the Sub-committee on
Oversight and investigations of
the Committee on Energy and
Commerce of the US House of

Officials have been embar- cratic Socialism. Page 4

SAATCHI and Saatchi, the UK advertising agency, is prepared to listen to "any reasonable proposition" to bolster its pros-pects in the wake of last week's collapse of confidence

Friday that profits were "unlikely to achieve current market expectations" after completion of a review of its operations by Mr Robert Louis-Dreyfus, who last year replaced the Saatchi brothers as chief executive, and Mr Charles Scott, the new finance director.

measured by any measure you

laid on regulatory weaknesses in the US, the report notes: "The process of screening names for good character and

financial worth has not included strong background

checks or regular financial reports on individual syndicate members, and has not pre-vented persons such as Carlos Miro from using his status as a

Lloyd's 'name' as an advertise-

ment of his respectability."

Mr Miro and his companies are being sued by the Louisiana state Commissioner of Insurance for \$38.5m, while Mr

Continued from Page 1

US warning on insurance

## care to take. These are impec-cably good businesses," it said. Saatchi also confirmed that

ment for selling companies. "The company will cut its cost according to the cloth of the market; if it needs to retain

remained a priority.
Hay Group, which contrib-utes roughly half of Saatchi's consulting revenues, said last

Hay said negotiations with Saatchi, which first sprang to prominence in the 1980s as a have "progressed signifi-cantly." Observers have put a price tag of 250m (\$85m) on the business.

usiness. Time at least appears to be on the side of the agency as it strives to restructure. The Euroconvertible bond, which the company described yester-day as the "brick wall," is not

### or in his luxury motor yacht. First Boston admits exposure

Boston had missed interest payments to Credit Suisse and

was planning redundancies.
First Boston denied the rumours, although it did say that it planned "a disciplined look at our cost structure to ensure that we are as lean as



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**WORLD WEATHER** 

### **FINANCIAL TIMES** COMPANIES & MARKETS

Monday February 26 1990



### INSIDE

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#### Moving philosophy



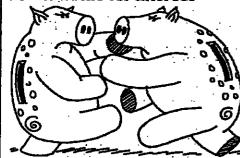
It is a well-known, rags to riches story. In the seven years between privatisation of the freight company, NFC, and its stock market introduction last Febru-ary, original investors - the majority of whom were company employees - saw the value of their initial stake rise about 100-

fold. But the man who presided over the transformation of NFC is retiring. David Owen talks to Sir Peter Thompson (left) about his unique management philosophy. Page 20

#### Rethinking home remedies

Things are not going well for the American industrial policy lobby. It has falled to persuade the Bush Administration that the competitive ills of US industries can be cured by a dose of dirigisme laced with lavish government subsidies. Now, one of the movement's leading lights has issued what amounts to a public recantation. Guy de Jonquières reports.

#### Banks battle for interest



The war is on. Spain's big banks are sparing no expense in the querra de los pasivos, or deposits war. Big colour inserts in the Sunday newspapers herald the latest offensive by Banco Espanol de Credito as it begins paying up to 13 per cent interest on current accounts. Banesto's new account finally puts paid to the long-standing agreement between Spanish banks not to attack each other by breaking their informal interest rate cartel. Page 23

#### **Market Statistics**

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US bond prices/yields

Companies in this section

Alumesc BAT Industries Comm Union Ass De Witte Lietaer ENI Enimont

20 General Cinema 20 Laboremus 23 Montedison 23 Norfolk Capital 23 Pepsico 23 Queens Most Houses 23 Tribune Company

### UAP opens its doors to foreign investment

George Graham reports on a landmark rights issue

oday Union des Assurances de Paris (UAP) is launching the largest rights issue the Paris stock exchange has ever seen. Jean Peyrelevade, UAP chairman, made his reputation as one of the architects of nationalisation in the first socialist govern-ment in 1981-82, but he is now presiding over what has been seen by many as at least a partial

France's largest insurance company is tapping the capital markets for FF16.57bn (\$1.2bn) as part of a capital increase totalling FFrid.5hn.

ing frincion.

UAP's haste is barely concealed. The opening of the offer coincides with the application of new insurance legislation, which, besides clearing up the French insurance code, for the first time relaxes the laws controlling the ownership of shares in state-con-trolled insurance companies.

Whereas other state-owned companies have been allowed to issue only non-voting certificates of investment, insurance compa-nies have always had a small float of shares, originally issued to employees. These shares could,

hings have come to a

until today, only be bought by individual French investors and a handful of specified institutions. By organising a FF12bn international tranche for its equity offering, UAP is helping to avoid an unseemly rush by foreign investors to build up their insurance lines, now that this is authorised.

authorised.

Launched on Friday, the same day that Renault announced its plans to swap share stakes with Volvo, UAP's FFr625 a share offer seemed to many the final confirmation that privatisation, albeit partial and disguised, was back on the agenda for the socialist government.

The motives of UAP's new issue, however, are very different to those that inspired the privati-sations carried out by Mr Edouard Balladur when he was finance minister from 1986 to 1988. Not only does the current Government intend to stay firmly in control of UAP, it also has a firm, if not always unanimous, idea of the role it wants the insurance group to play in the development of the French econ-

omy. Mr Peyrelevade, too, bas

retained a strong sense of the French national interest, even though he has also proved his readiness to say no to the Gov-ernment when the interests of his

company require it.
In launching his company's capital increase on Friday, however, he laid all the emphasis on UAP's role as an insurer. "We are insurers. We do not by any means have the intention of

becoming a financial conglomerate. We want to be a universal insurer, present in all segments of the insurance business and present internationally, especially in Europe," Mr Peyrelevade

UAP commands about 12 per cent of the French insurance market, but its share in Europe is only 1.5 per cent. Mr Peyrele-vade's goal is to double that European market share to equal Allianz, the West German market

The group has already under-taken a series of acquisitions which have taken it some way down the road towards this goal. In the first place, it has taken outright control of several small and medium-sized companies.

Jean Peyrelevade is presiding over what appears to be at least a partial privatisation such as Allsecures in Italy and Gesa, the Spanish assistance and emergency services group. The purchase of Gesa will place UAP second in the world in the assis-

It also merged its reinsurance the leading French reinsurance company, and now holds 40 per cent of this company.

But the keystone for UAP's future development is the second of the company of the compa

tance sector, behind Europ Assis-

sequence of minority stakes it has built up in some of Europe's largest insurance groups. In 1987, it took 31.88 per cent in Royale Belge, the second largest Belgian procure in 1992 it second and 1992. insurer. In 1988, it acquired 19.2 per cent of the UK's Sun Life, a stake increased at the end of 1989

to 25 per cent; UAP now has a crossed option agreement with TransAtlantic, the group headed by Mr Donald Gordon which has 29 per cent of Sun Life.

The largest of UAP's deals took place in December, when it agreed to pay FFr14.4bn for a consolidated stake of 34 per cent in Groupe Victoire, the insurer which had just been taken over by Compagnie Financière de Suez, the financial conglomerate, in France's largest-ever takeover

battle. Besides Victoire itself, an asset-rich French insurer, the stake gives UAP an interest in Colonia/Nordstern, the number two in West Germany behind Allianz, as well as the smaller Dutch insurer Nieuwe Rotterdam. The deal also links it with Baltica of Denmark and Dai-Ichi Mutual Life of Japan. Suez remains the controlling shareholder, and has said it plans to keep a 50 per cent consolidated stake in all circumstances, but UAP is clearly in a very strong position at the centre of this web of holdings.

Mr Peyrelevade said on Friday that he had no plans for more operations of the same size as the Victoire deal, but that UAP was still interested in small to medi-um-sized operations, worth perhaps FFr1bn or FFr2bn, in every sector of the insurance business. In any case, he has already put into place the building blocks which could create an empire fit to compete with Allianz.

### Problem: How to be boring

pretty pass when a senior public official cannot rely on being boring when he intends to be. It is a racing certainty that Mr Alan Greenspan travelled the 20 blocks from the Federal Reserve to Capital Hill last Tuesday intending a kind of monetary hullaby. Yet after a restatement of familiar stuff on Tuesday, he be half full."

saw a mini-collapse of the Tokyo market on Wednesday, and by Thursday he was using his sec-ond Congressional appearance to disown some of the things he had not actually said on his first visit. One might say that he did succeed in being boring in the end, but it took two attempts.

And yet, when you look at the evidence, the underlying mood appears quite robust. The fall in Consider the background. appears quite robust. The fail in Tokyo was not the start of any chain reaction, but well contained. That suggests that the problem is one of Japanese rather than of general confidence. Further, Wall Street absorbed the chairman's misreported gloom with much the same calm as it Drexel Burnham had collapsed only a few days earlier, and although the market profession-als took this news with a knowing shrug, small — and for-eign — investors might be nervous. Since all the doom scewith much the same calm as it had earlier figures and surveys narios for the US economy have defined the final, deadly threat as a run on the dollar, it is not a

Nor did he. He said nothing to suggest any change in US policy, pointing out that the recent revival in car sales and house building had allayed fears of a recession. He explained that the January inflation figures would look awful without meaning much. He also pointed out that interest rates are set internationally, and that German rates are

risk Mr Greenspan would have

tending to rise.

Not a word of this can have surprised anyone who takes an unusual, is a disagreement interest in such matters. Then between various analysts about

came Tokyo, and a lot more ano-dyne statements, which can be summed up as: "Anything I said two days ago to suggest that the glass might be half empty should be taken to imply that it might be half full." American experience may be a guide to German economic

prospects, writes **Anthony Harris** from Washington

the economic fundamentals, which are usually fairly non-controversial, rather then the meaning of the market charts.

The disputed questions nearly all concern the D-Mark. Will the moreous of German unity raise prospect of German unity raise German inflation? Will it drive the D-Mark up in exchange markets, or depress it? Will Ger-many's European partners try to keep station with a D-Mark that is on the move internationally? Would such a monetary convoy be a wise manoeuvre, or a mis-take? And if the same questions are asked about German's non-European partners in the Group of Seven, are the answers the same, or different?



In the US, the forecasting ques tions about the D-Mark get fairly confident answers, even though they appear to contradict one another inflation will go up, and so will the D-Mark. In Europe, some take the same line, but others argue that German inflation will go up and that the D-Mark will therefore be weak. How should non-Germans react

to either scenario? The EMS is generally expected to attempt a show of unity, but there seem to be conflicting notions about the right line for the US. Some senior Treasury officials agonise about future G-7 meetings: can the US keep up with the Schmidts with-out risking a recession? And if the risk looks pressing, what happens to the international co-ordi-And what is a reader to make of these questions? To start with

the apparent contradiction: is it likely, or even possible, that the same development can increase inflation in greater Germany, and yet make its currency stronger? The answer seems to me to be that it could easily happen in the-ory, but is, in present circum-stances, unlikely in practice.

This is not to agree with the European high-inflation, weak

D-Mark theorem, but to reverse it: it looks likely that reunification will lead to a strong market. and low German inflation. This is because the process seems likely to produce, though for very different reasons, a pattern similar to the Reagan experience: inflows of capital driving up the currency, immigrant labour holding down domestic costs. Under Reagan, the capital mar-

ket inflows were attracted by high interest rates, as the Fed struggled to offset the impact of a huge fiscal expansion; in Germany, it is the promise of commercial profit which will attract both financial market and real capital inflows. This suggests that the Bundesbank will not be compelled to maintain high relative interest rates.

Meanwhile, the impact of

cheap labour should reduce cost pressures be enough to ensure that quite normal nominal interest rates in nominal terms are high in real terms. High real rates are required, as well as high expected investment returns, to attract all the capital that Germany and its ex-Commu-nist neighbours will demand.

The tension, on this analysis will arise over the exchange rate: for while low inflation raises any given interest rate in real terms (it increases the real return), it lowers any given nominal exchange rate in real terms (low costs make the German economy more competitive). Yet high capital inflows mean a current account deficit. (If you find the relation between inflation and real exchange and interest rates confusing, you are not alone; try again with a cold towel).

All this points to an odd conclusion – that Mrs Thatcher may for the first time be right about the PMS. A major editerment

the EMS. A major adjustment seems to be needed to allow for the change in economic and political circumstances. You do not have to decide whether you are a who probably now argues that we should avoid tying ourselves to an inflation D-Mark, or with this column, which argues that we need to assist a huge switch in our current account with the Germans. All of us can probably agree that for once the markets are probably wiser than our theories, and may even teach us who

### **Economics Notebook**

### Fitting Germany into Europe

monetary union between the two Germanys may upstage, even upset, longer-planned governmental Conference monetary union among the Twelve has produced signs of Twelve has produced signs of rising panic among some people in Brussels, notably Mr Jacques Delors. The Commission President has warned darkly that 30 years of work on the construction of Europe might be "sidelined." Others take a more phleg-

matic view, notably Mr Henning Christophersen, the Danish commissioner who is in charge of Brussels' study on the impact of German mone-tary union (now dubbed Gemu) on the Community's own plan for economic and monetary union (EMU). He is confident the Community could manage both Gemu and EMU.

both Gemu and EMU.

This study of the consequences of Gemu for EMU

one of several reports which the Commission is to present to EC leaders at their special "German" summit in April

has recovered from a shaky start when a first paper was start, when a first paper was leaked to the press. We have now set up good relations with people in the finance and eco-nomics ministries in Bonn, and in the Bundesbank, says Mr Christophersen, adding that "we cannot do this study with-out very close contacts with the German authorities." Bonn may have little idea about the true picture of the East Ger-man economy, but Brussels

man economy, but brussels has even less.

The respective timetables for Gemu and EMU will dovetall, not clash, Mr Christophersen believes. He reckons Gemu will be come about "rather quickly" – within two years, he guesses. EMU is on a longer culckly" – within two years, he guesses. EMU is on a longer track. Brussels will give finance ministers a preliminary cost/benefit analysis of EMU next month and foreign ministers a report on institutional reform in April. By June that Gemu will boost West German growth even above its astonishing rate of 5 per cent germany lifts the whole Community growth rate by half a percentage point. Some

THE \_ PROSPECT that the Commission will finalise governmental Conference (IGC) to start at the end of the year. Allow 1991 for the IGC negotiation, 1992 for treaty ratification, and the first half of ification, and the first half of 1993 for implementing legislation to set up the European Bank, says Mr Christophersen. By the time, therefore, that the Community starts the tricky gear shift from the European Monetary System (EMS) to EMU, about mid-1993, Gemu will have been up and running for some time.

for some time. r some time. Mr Christophersen sees strong mutual interest by Bonn and its EC partners in the success of Gemn and EMU. The weaker argument relates to West Germany's interest in EMU. The Bundesbank's reinctance to share its monetary sovereignty with RC partners in an EMU arrangement may, if anything, increase as it becomes the monetary authority for even more territory.

On the other hand, some in Brussels see a silver lining in the speed towards Gemu; if pol-iticians can over-rule Mr Karl Otto Pohl, the Bundesbank otto Pohl, the Bundesbank president, by accelerating the pace of Gentu, they can do the same to him on EMU. Certainly, Mr. Christophersen believes that "as the single market becomes more integrated, it will become more impertant for Germany to have responsible economic policy conducted in other EC states, through EMU."

What is very clear is the nail-biting interest of Bonn's EC partners in Gemn's success. Mr Christophersen believes that Gemu will boost West Ger-

Mediterranean countries are frightening themselves, he says, with "static analyses" claiming that growth in the EC will move north and east; but will move north and east; but on any "dynamic" analysis, Gemu should be a tide that will carry all EC boats higher, Mr Christophersen claims.

But a botched merger between the two Germanys could severely disrupt the EMS, destabilise its D-Mark anchor and cause a severe drain on the EC budget. The irony, however, is that while Bonn can influence — evan determine — the shape of EMU, its Community partners have no formal say how Gemu takes

Of course, Brussels has its views. The leaked Commission paper concluded that an offer of immediate, full union, per-haps at one D-Mark for one Ostmark, might be "a sign of irreversibility" of the merger, but would irrevocably expose West Germany to any setbacks in East Germany and deprive the latter "of exchange rate the latter "of exchange rate changes during the catching-up process." Better, said the paper, to "combine the advantages of exchange rate adjustments with the credibility gains of Bundesbank involvement" and to create a "DM-East", issued and controlled by the Bundesbank, with its parity to the real D-Mark appreciating as East Germans become as productive

as West Germans. Mr Christophersen says he trusts the Bundesbank - "a very skilled central bank" - to find the right formula for Gemu. But, in the absence of EMU treaty obligations, the West German authorities are legally free to do whatever they want. No wonder there is a sense of panic as well as phiegm in Brussels.

Germans become as productive

David Buchan

### THIS WEEK

billed in advance as key market

numbers, Most impressive, though, is the amount of gloomy talk now to be heard. Market

comment is so generally bearish that a technician must believe

gloom is fully discounted, and

that prices can only go up. Knough of this line of thought.

If you are already a contrarian,

you have no doubt identified a

great buying opportunity in the tea leaves. If you are not, the last

thing I want to do is to convert

you. What is possibly more interesting, and certainly more

AS FAR as economic indicators go, Wednesday's trade figures are set to hog the limelight this week. But neither the bond nor equity markets are focused on

They are anticipating that the slew of economic indicators from Japan and West German consumer price figures - ex-pected today or tomor-row - will provide much-needed clues about prevailing global uncertainty surrounding inflation and interest rates. German price data has been encouraging so far. The stronger D-Mark and weaker commodity prices have managed to hold down import prices, while

money supply growth targets have been met. The markets are also hoping for some resolution of the pub-lic squabble between the Japanese Finance Ministry and the Bank of Japan. This is weaken-ing the Yen and doing nothing

to settle the quavering Japa-nese equity market, which saw two hig falls last week. In the UK, fears about global inflation are also building up, and worries about currency unification in the Germanys Nevertheless, the current account deficit will dominate

trading floors.

The trade deficit is expected to continue to shrink - as it has done for the past five months – as sterling strength-ens and manufacturers find overseas markets for their overseas markets for their goods. But some are now suggesting that export volumes are too good to be true, although higher mortgage rates will help depress home consumer spending.

Analysts are singling out the sharp improvement in the non-oil trade deficit, and the volume of non-oil exports, which rose 15.1 per cent

which rose 15.1 per cent between the fourth quarters of 1988 and 1989. The invisible surplus, however, has deterio-rated over the past year due to growing interest payments on the Government's horrowing. Tomorrow's inflation figures for France are expected to

UK trade deficit Current account balance (£bn)

Jul 1988

show 0.4 per cent growth on December, and 3.5 per cent year-on-year. Inflation would be stronger but for two factors - falling primary material prices, and the strong French franc. Food prices also saw an unseasonal fall in January.

Other notable events and

statistics, with consensus fore-cast figures from MMS Interna-tional, the financial research company, in brackets, include: Tomorrow: US advance report on durable goods for January (minus 2.5 per cent). Merchandise trade, fourth quarter. Japan, personal income for December, personal consumption for December, retail sales for January, industrial production for January. France, consumer price index,

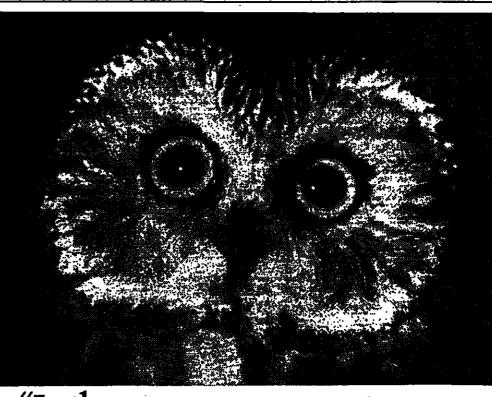
final, January.

Wednesday: UK new vehicle registrations, US GNP fourth quarter preliminary (0.4 per cent), agricultural prices. Two-year Treasury Note auction.

Australia, net and gross foreign debt figures. Japan, trade balance.

Thursday: US construction expenditure for January, per-sonal income for January (0.6 per cent), Unemployment Claims, M1 for week ending February 19. Australia, current

Friday: UK Official Reserves (fell \$197 in January). US Leading Indicators for January. new home sales. Japan, trade



## "Is there anyone smarter than me?"

The owl symbolises the wisdom of nature. In the same way, our 4M DRAM, the world's most powerful semiconductor, represents one of the most sophisticated examples of intelligent, high tech products. This small chip is powerful enough to contain the entire text of 16 newspaper pages.

But power alone isn't enough. There is a need to use technology like our super LSI wisely. Only then can we help create better living. From semiconductors to medical and office equipment, Toshiba is the world's leading electronics maker, which makes us something of a rare bird.



In Touch with Tomorrow
TOSHIBA

### Interest charges peg profit improvement at Alumasc to 8%

ALUMASC GROUP is another company which has found its growth pulled back by high

In the half year ended December 31 1989 it lifted turnover by 44 per cent to £25.28m, and operating profit by 25 per cent to £2.51m, but saw the pre-tax outcome rise only 8 per cent to £2.22m (2.06m).

It had to suffer interest charges of \$288,000, against an income of \$62,000. The group makes products for the brewing and building industries, and produces precision composaid much of the increase in sales reflected the inclusion of a full half of Grundy, but demand for aluminium containers was strong and build-ing products achieved excellent

Although losses were incurred on stainless steel keg production, considerable prog-ress was made and he looked for a contribution by the end of

the year.
Earnings in the period rose to 11.7p (11.4p) and the interim dividend is stepped up to 2.85p

the company said.

Tribune is in negotiations with unions, ahead of the expiry of contracts in March,

concerning the need to reduce

the newspaper's cost structure

if necessary investments to expand facilities and equip

The newspaper, which boasts a circulation of some 1.25m copies on weekdays and

1.62m on Sundays, has made

net losses of \$115m on revenues of \$4bn over the past 10

ment are to be made.

#### Tribune denies Maxwell talks **By David Owen**

THE CHICAGO-based Tribune Company yesterday responded to reports that Mr Robert Maxwell might be seeking to buy the New York Daily News by stating categorically that no talks regarding such a sale were taking place with the UK-based publisher. "Unequivocably, we have

had no negotiations nor are we in any way conducting negotia-tions, discussions or dialogue with Robert Maxwell or any member of his organisation about the sale of the News",

### **BOARD MEETINGS**

TODAY

### Substantial pay-off for Ferranti's former chief

SIR DEREK Alun-Jones, who on Friday resigned as chair-man and chief executive of Ferranti International, the defence equipment group, has received a substantial pay-off. His resignation came six

months after Ferrauti revealed it might lose £215m as a result of an elaborate fraud in a US

Ferranti yesterday refused to give any details but confirmed: "a contractual settle-ment has been made, his contract has been honoured." In the year to the end of March 1989 Sir Derek's pay jumped by 24 per cent, from 2154,000 to 2191,000.

It is understood his contract still had some two and a half years to run and, at the 1988-89 rate of remuneration, he would have been entitled to about £477,500.

about £477,500.

A settlement of this size would certainly upset shareholders who have had to do without dividends, and have seen the price of Ferranti's shares fall to about one-third of their previous level in the next year.

However, Mr Eugene Ander-son, the Texan who replaced Sir Derek on Friday, insisted it was in shareholders' interests to resolve the issue of the former chairman's departure as quickly as possible.

#### Headland in talks

Headland Group is in talks with the management of Woot-ton Jefferys Consultants concerning a buy-out.

A daily update on European business news

### 'FINANCIAL TIMES **BUSINESS REPORT'**

On Super Channel each morning 07.13 07.33 07.53 & 08.13 08.33 08.53



Mitsubishi Bank of Australia Limited

US\$65,000,000 Dual Basis Bonds due 2000

Notice is hereby given that for the first six months interest period

Interest payable on 22nd August, 1990 will amount to US\$219.65

The Mitsubishi Bank, Limited London Branch

As Agent Bank

HMC MORTGAGE

**NOTES 2 PLC** 

£175,000,000

£14,000,000

Class B

Mortgage Backel Floating Rate Notes Due February 2015

For the interest period 23rd February, 1990 to 23rd May, 1990. the Class A Notes will bear interest at 15.475% per summ. Interest payable on 23rd May, 1990 will amount to 23,773.36 per

£100,000 Note.
The Class B Notes will bear

interest payable on 23rd February, 1990 will amount to £562,406.85 per £14,000,000 principal amount.

Agent Bank: Morgan Guaranty Treat Company of New York London

from 22nd February, 1990 to 22nd August, 1990 the Notes will

carry an Interest Rate of 8.7375% per annum.

Nationwide

Anglia

£150,000,000

Floating Rate Notes

**Due 1993** 

Notice is hereby given that the

Notes will bear interest at 155/32% per annum from 23 February, 1990 to

23 May, 1990.

Interest payable on

23 May, 1990 will amount

to £369.56 per £10,000 Note

Morgan Guaranty Trust

Company of New York

London

per US\$5,000,00 Note.

### Why so few followed the NFC line

David Owen gets Sir Peter Thompson's views as he prepares for retirement

SIR PETER Thompson stares into space in the compact Fitzroy Square stares into space in the compact Fitzroy Square office of NFC, within yards of the London Foot Hospital, and reflects on running an employ-

ee-controlled company.
"We have not had enough. companies follow the general philosophies and values that we have tried to bring into NFC since we bought it", he says with a soft Yorkshire inflexion. "Having pushed over the legal barriers, I suppose naively I thought there would be a flood of companies wanting to come through. The reality is that there have not been all that many which I think is

Sir Peter presided yesterday over his last agm as chairman of the freight hauling company, which he took out of the public sector in 1982 and has since transformed into a profit-

able bastion of employee share ownership and participation. It is a well-known rags-toriches story. In the seven years between NFC's privatisation and its stock market introduction last February, original investors saw the value of their initial stake rise about 100-fold. Pre-tax profits for the year to September 30 were ahead 34 per cent to £90.2m.

In a nutshell, NFC has provided the strongest circum-stantial evidence to date in the fast-growing and labour-intensive services sector of a link between employee control and superior profit growth. And yet, as Sir Peter says, few com-panies have opted to follow in its footsteps - even in an era of management buyouts, any one of which could have been structured to include employ-

The first of several possible explanations, he posits, is the deferential style of manage-ment that is required. "It is not comfortable to have to go out and stand before your shareholders/employees and say: This is what we have done

with your company, are you satisfied with it?" In addition, he feels, even if the performance-related fillip that can accrue from an employee buyout is accepted, "the kind of entrepreneur who is prepared to lead a buyout

erate which owns 60 per cent of Neiman-Marcus group, is understood to be among the

40-odd companies who have

asked for sale prospectuses on Marshall Field's and Saks Fifth Avenue, the two US department store chains being auctioned by BAT Indus-

However, BAT pro-emptively

dismissed any suggestion that it had reached detailed negotia-

tions with any parties. Prospec-tuses only went out this month

and the short-lists are unlikely

to be drawn up before early Reports in the US suggested

General Cinema interested

in BAT department stores

Unilever Mexican deal

GENERAL CINEMA Corp, the that General Cinema wants

does not want to share among hundreds of people the deci-sion-making process or the rewards." The head of an employee buyout company also has to forego, for the most part, the right to wheel and deal in companies. "Almost the only way you can get out of a business", says Sir Peter, "is for the people working in that business to say: We want to go because it is a better home you are putting us into." By the same token, while NFC has made no shortage of acquisi-tions in recent years, "you can-not be making mega-takeovers and splashing equity all over the place."

There is too the problem of quantifying the benefits directly attributable to employee control. NFC's strong performance is partly due, after all, to the buoyant economy, enlightened strategic management and exploitation of an under-utilised property portfolio. "But", says Sir Peter, our competitors have enjoyed a good market and we have outperformed them. You have to ask 'what is the extra ingre-dient?' and I would have thought it must be something

to do with employee involve-ment - but I cannot prove it." Since its introduction to the stock market, the NFC culture has changed with the advent of institutions and private indi-viduals onto the shareholders' roster. As Sir Peter prepares to step down, this raises the question of how stable his legacy is: with employees able to deal shares routinely as opposed to quarterly on an internal market is there not a danger that employee control of NFC might

slip away?
Following the employee buyout, Sir Peter admits, "one of the spectres at the feast was that what we had done was create a one-generation employee-controlled business to benefit one group of people that were there at the

He asserts, however, that computer models suggest that the status quo can be sustained if four conditions are fulfilled. These are: that profit-sharing arrangements, whereby 15 per cent of NFC's pre-tax profits are recycled

Philip Miller, to head its retail-

ing operation. No one at Mar-shall Field's was available to

BAT has put both Chicago-based Field's and Saks up for sale as part of its defensive

restructuring. A series of asset disposals and demergers was amounced last autumn in the

wake of a £13.5bn bid from Sir

James Goldsmith's Hoylake

Recent reports have also suggested that Mr Miller is

working on a management buyout plan in conjunction with JMB Realty and First Chi-

consortium.

#### James Watson to become chairman

Mr James Watson is to take over as chairman of NFC when Sir Mr James Watson is to take over as chairman of NFC when Sir Peter Thompson retires at the end of the year, it was announced at the agm held yesterday in the Winter Gardens, Blackpool. He is currently deputy chairman and was previously inance director. In Sir Peter's furthecoming book he is described as having all the physical attributes of a City man "with a vitte collar over a striped shirt."

NFC also unveiled a 17 per cent increase in pre-tax profits, from £18.4m to £21.6m, for the 12 weeks to December 23 last. It was achieved with the help of a £500,000 reduction to £2.8m in the funds set aside for profit sharing. Turnover climbed 13 per cent from £331.9m to £373.4m.

cent from £331.9m to £373.4m.

The company described this as a "satisfactory" increase despite the difficult economic conditions. Interest costs dropped despite the chilicult economic conditions. Interest costs dropped from £2.7m to £1.5m. Karnings per share rose to 4.3p (3.8p), and a second interim dividend of 1p was declared.

The directors gave a "best view" of £105m pre-tax profits for the current year. In the longer term, the group intends to be generating 40 per cent of operating profits from outside the UK by 1995.

The agm also approved an increase in authorised capital from £22.5m to £36.5m, and a one-for-two scrip issue.

each year, are maintained; that existing shareholders do not sell more than 10 per cent of their shares a year, that NFC's earnings per share forge ahead at a minimum of 15 per cent per annum; and that new employees continue to take advantage of the £500 interestfree loan to which they are entitled to buy stock when they join the company.

Since the introduction, employee control has been reinforced by the attachment of double voting rights to their shares on issues discussed at the agm. This means in effect that a would-be predator has to convince employees of the soundness of his aims. Sir Peter believes that the

double vote provision engineers a much-needed rebalanc-ing of the respective rights of employees and investors in determining a company's future. 'I think there is a moral argument that says if someone has got his life, in other words his employment, and he is also prepared to put money into his company, his view of what should happen hould be worth more than ar institution that has only got its

He feels too that the notion of a double vote for employees may have broader applications in the struggle against what he tration of share ownership in

Norfolk Capital

still fighting to

be independent

The takeover battle between

Queens Most Houses and Nor-folk Capital reaches its conclu-

sion today when Queens Moat's £157m all-share bid for

its rival hotel company closes. Norfolk reiterated its appeal

Norfolk restrated its appeal to shareholders to reject the bid on Friday, with the announcement that detailed planning consent for the property adjoining its Caledonian Hotel in Edinburgh was now unconditional

This, together with encour-

aging interest from potential

investors in the group's St James's Clubs, confirms that it

can and will fulfil its plans for

realising £75m in cash whilst continuing to increase the net asset value of the company", said Mr Anthony Richmond-

Watson, its chairman.
Norfolk argues that the offer, which values it at 38p a share against Friday's close of 36%p.

represents a 28 per cent dis-count to net asset value.

Ten days ago Lady Joseph and Mr Tony Good resigned as Norfolk directors, and revealed

their intention of voting their a per cent shareholding in favour of the bid from Queens

FT Share Service

The following securities were

added to the Share Information Service in Saturday's edition: Abtrust New Thal Iny, Trust

(Ord. & Warrants) (Section:

Leasing).
London Securities 8.25p (Net) Cav. Cum. Red. Prf.

(Property). Yorkshire Water (Water).

Kyowa Bank (Banks, HP &

Investment Trusts).

By David Owen

unconditional. •

### you are to encourage more employees to own shares, you have to make them feel impor-tant." Extending a double vote to employee held shares might, Sir Peter suggests, be one means of conveying this enhanced sense of involve-Collins will shortly publish a book by Sir Pater that, although mainly about NFC,

Britain. "One does wish that the fate of British industry was

not in the hands of 30 invest-

ment managers; that seems to

power that is totally undesir-

If this is to be changed, he

argues, "one of the areas in which you have got to have the most chance of succeeding is share ownership of your own

company - employee share

ownership and so on. And if

ranges far and wide over his formative years - at 15, we learn, he was an anarchist. "But I was quite a big chap"— and his early career was with the likes of Unilever, GKN and the Rank Organisation."

It discusses the sometimes tough Yorkshire upbringing, with a working mother and invalid father, which helped to form his original judgements and views. It details his gradual disillusionment with the notion of 'nationalisation'.

In it, Sir Peter emerges as a fan of BTR's Sir Owen Green ("arguably the best UK manager of the last 20 years"), of non-executive directors, and of university for all.

Prominent among the insti-tutions which incur his dis-pleasure, by contrast, is the City, which he feels must reexamine the cost and procedures that new companies seeking a

that new companies seeking a stock exchange listing have to suffer if it wants to remain a major financial centre.

"Nobody", he says, "is cutting into the cost and asking: If you have audited accounts for five years, do you need to spend Flymon a long form. for five years, do you need to spend £1m on a long form report or boost the finances of the FT by publishing a tempage prospectus." He also alleges conflicts of interest in the share price setting process. The broker's regular customer is charactered. is obviously not the company coming to the market but the institutions it deals with all the time. Similarly with the

the time. Similarly with the issuing house, it gets its money partly from the primary underwriting, so it wants as low a price as it can get."

Sir Peter, 62, does not envisage being idle after stepping down from NFC at the year-end in addition to the CRI end. In addition to the CBI working group, he points to his string of non-executive direc-torships and a development capital project involving his

son as irons in the fire.

And then there are the animals. "My wife has horses and sheep and she will insist I muck out and feed the lambs", he predicts. "In fact, before I saw you this morning I bottlefed a lamb."

Sharing the Success by Sir Peter Thompson. Published by Collins. Price £15.

#### Interfinance Crédit National N.V. US\$100,000,000 **Guaranteed Floating Rate Undated Unsecured**

Subordinated Non-Cumulative Capital Notes

In accordance with the terms and conditions of the Notes the rate of interest for the interest period February 26, 1990 to August 28, 1990 has been fixed at 12.7406377% per annum. Interest payable on August 28, 1990 will be US\$64,764.91 on each US\$1,000,000 principal amount of the Notes.

Agent - -Morgan Guaranty Trust Company of New York London Branch

U.S. \$200,000,000 PRIMARY CAPITAL PERPETUAL FLOATING RATE NOTES (Second series)

in accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from February 26, 1990 to August 28, 1990 the Notes will carry an Interest Rate of 8.5875% p.a. and the Coupon Amount per U.S.\$10,000 will be U.S.\$436.53 and per U.S.\$100,000 will be U.S.\$4,365.31.

February 26, 1990 London By: Citibank, N.A. (CSSI D nk, N.A. (CSSI Dept.), Agent Bank

CITIBANCO

#### 265,900,000 **CARPS III Limited** Secured Amortising Floating

Rate Notes due 1999 For the three month interest period. February 22, 1990 to May 22, 1990, the rate has been determined at 15.36525%. The interest payable on the relevant interest payable at May 22, 1990 will be 23,637.01 per \$97,132.07 principal amount of Notes.

February 26, 1990

Methicabergh Investment and Fluorice Company Librated OSESSAMAN Securi Floring Rate Books Day 2004 In accordance with the terms and conditions of the Bonds, the rate of interest for the interest period February 25, 1998 to August 23, 1990 has been fixed at 996% per senten. Interest pupils on August 23, 1990 will be USSA 573,38 on each USSA 500,000 principal sentent to the USSA 573,000 on each USSA 500,000 principal sentent to the USSA 573,000 period to the USSA 573,0

#### BASE LENDING RATES

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• Heathers of British Merchant Banking & Secarities. Houses Association. \*\* Deposit now 5.9%. Savents 8.5%. Top. Ther-£10,000 + Instant notes 12.8% & Mortgage hore rate. § Denam deposit 9%. Nortgage 15.2% - 15.95%.

FINANCIAL TIMES STOCK INDICES 79.91 80.00 79.87 79.89 80.48 89.29 79.87 127.4 49.18 80.15 89.65 90.40 90.75 90.84 90.77 99.59 89.20 105.4 50.53 89.20 1762.3 1789.8 1783.8 1799.0 1813.5 1836.6 2008.6 1447.8 2008.6 295.6 303.3 310.5 307.0 302.6 298.4 378.5 154.7 734.7 1114.95 1131.29 1127.78 1157.40 1147.00 1159.33 1226.83 921.22 1238.57 2236.7 2269.2 2259.7 2277.0 2297.1 2325.9 2463.7 1782.8 2463.7

UNILEVER, the Anglo-Dutch food and consumer goods group, is to pay the Mexican government £43.7m for an adi-ble oil refinery and pasta man-ufacturing factory.

Unitever said part of the price, which includes local

THE NORDIC FINANCIAL & INVESTMENT

CENTRES

The Financial Times proposes to publish this survey on:

25th April 1990

(Moved from 19 March)

or write to them at:

Number One Southwark Bridge

London SEI 9HL

**FINANCIAL TIMES** 

Residential Property

Gillian King or Chris Schass on 01-873 4823 or 3428

taxes, would be recoverable.

The acquisition of the Industrias Conasupo facility at Tultitian in the Mexico City valley will improve Unilever's cover-age of the edible oils market in the centre and south of the

MOTICE OF INTEREST BATE KINGDOM OF DENMARK ECU 150,000,000 Floating Rate Notes

NOTICE IS HEREBY GIVEN that the interest rate covering the interest payment period from February 15, 1990 through May 14, 1990 (89 calen-dar days) has been fixed at 11.1983%. The accumulated interest rate factor or ECII 1.000 dearmination is 276871.

CITYBANK, N.A., Agest

February 15, 1990

## NDE'S

Tel: 01-828 7233 AFBD member FTSE 100 WALL STREET Feb. 2218/2228 -37 Mar. 2551/2663 425 Mar. 2224/2234 -38 Apr. 2566/2678 +25 5pm Prices. Change from previous 9pm close



TIME TO BUY GOLD?

Securities No. 1 PLĆ £200,000,000 Mortgage Backed Floating Rate Notes 2018 The rate of interest for the three month period 22nd February, 1990 to 22nd May, 1990 has been fixed at 15.475 per cent. per annum. Coupon No. 8 will therefore be payable on 22nd May, 1990 at £3,773.36 per coupon.

> et Rate 8.6675% p.s. Interest Period oruery 26, 1992 to August 28, 1990, prost Payable per US\$100,000 Note interest Payat US\$4,408.90. February 24, 1890, London By Chibank, N.A., (CSS) Dept.), Agent Ba

Aggregate interest charging balances of Mortgages redet previous Interest Period: £17,811,924. Aggregate interest charging balances of Mortgages red 21st February, 1990: £100,193,862. The aggregate principal amount of Notes outstandi 21st February, 1990: £200,000,000. S.G. Warburg & Co. Ltd. Agent Bank

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### INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

DAY FEBRUARY LA

ement

### JP Morgan poised to extend syndication boundaries

HOW MANY WAYS are there to skin a cat? Different syndito skin a car: Different symm-cation techniques on the Euro-bond market have been the subject of much discussion and controversy, but little consen-

Today J.P. Morgan plans to offer up for scrutiny and criti-cism the latest variation. It will add another layer of com-plexity to the general debate. The plan is simple in conception. The Kingdom of Denmark will issue a five year Eurobond worth between \$500m and \$1bn. Bonds will be allocated to any interested member of the International Primary Markets Association under an auction

Company in New York. Banks will be invited to bid at a spread over US Treasuries for as many bonds as they want. The borrower will then line up the bids and assess the price at which the minimum issue size of \$500m is covered: in other words, the price at which the sum of equal or tighter hids adds up to at least

system to be run on Thursday

by the Morgan Guaranty Trust

While reserving the right not to do a deal if it considers the so-called clearing price too tight for its borrowing pro-

Borrowers

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2. 18. 温度 - Interest page ាស្មាកម្មាភ្ល milita Nas

NG RATES

gramme, Denmark will then announce the issue price. Bid-ders will receive their full allocations at that price less a 20 basis point seiling concession. Bids outside the issue price

Bids outside the issue price will automatically lapse, so the final issue size will depend on how tightly the bids are bunched behind the price.

The auction system is an attempt to address several problems that have emerged since large, sovereign dollar issues have been syndicated as

fixed-price reoffer deals. In particular, an auction in theory reduces the advantage for the lead manager built in to a reoffer on pricing and allotting bonds.
The recent \$1.5bn global

bond issue for the World Bank caused much comment when caused much comment when investors trying to ensure block holdings of the bonds inadvertently created an impression of huge demand by bidding for more paper than they actually wanted.

This persuaded the issuer to tighted the indicated launch greated to a level which drove

spread to a level which drove away many of the same inves-tors and damaged the perfor-

mance of the issue.

Unlike the first global bond, the second widened sharply in

spread terms after launch, although the poor market con-ditions were partly to blame. An auction should weed out those bidders who request more paper than they want or can handle, while also satisfying the higgest dollar trading houses by allowing them to bid

According to J.P. Morgan, the system offers the closest approximation to date of a block trading system for large Eurobond Issues.

Auctions have a brief but

aggressively for large blocks of

undistinguished history on the Euromarket. In the mid-1980s some small fixed-rate deals were auctioned for Exxon, and although the process itself worked satisfactorily the paper did not trade actively. In 1984 an auctioned float-

ing-rate note issue for the Kingdom of Sweden was over-

subscribed, but was later over-taken by the FRN crisis.

Last year the World Bank is thought to have been shown proposals for an auction to launch its global bond issues.

I.P. Morron is clearly toling J.P. Morgan is clearly taking a considerable risk in bringing the deal at a time when world

bond markets are experiencing

some of the most volatile

**NEW INTERNATIONAL BOND ISSUES** 

Borrowers

FRENCH FRANCS

trading sessions in recent memory.

The obvious danger of a hid-

The obvious canger of a nar-ding and allocation process lasting nearly four days is that what might appear an appro-priate spread today will look hopelessly out of line by the time investors know what they are getting.
On Friday, in relatively calm

conditions, Nomura Interna-tional reflected the uncertainty in the dollar market by bring ing a five-year deal for the group's investment bank at a wide spread for a triple-A credit of 77 basis points over

Treasuries.
Valuing a potentially liquid issue for Denmark in such conditions will be no easy task. J.P. Morgan is not indicating broad spreads around which blds can cluster, leaving it to the market to define

value.
The lack of benchmark dollar deals for Denmark only adds to the difficulties. A recent five-year issue brought by Goldman Sachs was launched at 69 basis points over Treasuries, and has since tightened to 60 basis points. But it was only for \$100m and cannot be considered a valid

deals for Italy, trading around 46 basis points over Treasuries. and New Zealand, at 69 basis

Further complicating mat-ters is the fact that the new five-year Treasury has a higher yield than the old benchmark, lending the impression that Eurodollar spreads have been tightening.
News of the Denmark deal

broke too late on Friday for competitors to formulate detailed reactions. Several syn-dicate officials commented that what appeared to be a good idea could be fatally under-mined by timing.

In general, however, it was acknowledged that if the system proved efficient it would clearly stand as the best way to Issue securities.
It would introduce so-called disintermediation, or the removal of unnecessary inter-

mediaries between issuer and investor. J.P. Morgan was anxious not to claim that this was a univer-

sal syndication technique appropriate for all deals. Offi-cials said they continued to support the fixed-price reoffer method of underwriting Euro-bonds for certain borrowers, as

Av. life Coupon years %

well as the traditional

approach where relevant.

The auction concept is vulnerable to precisely the same attack made by competitors when Morgan Stanley launched the first reoffered deal for New Yeshard in Sec. deal for New Zealand in Sep-tember last year; why use a new technique when existing methods will almost certainly result in cheaper funds for the borrower?

Initial reactions on Friday gave a rough indication that under traditional circumstances Denmark could undertake a large issue at a spread of about 65 basis points over Treasuries. With a reoffer this would narrow to perhaps 60

There is a danger that the 20 cent fee will be discounted by bidders. And some may be tempted to second-guess the covering price.

It remains to be seen what spread investors will prefer in an auction. Even if the novelty of the deal attracts unusual demand, the precise spread will be clusive until the auction is over on Thursday as no one will know the covering

**Andrew Freeman** 

Book runner

**EUROCREDITS** 

### Aircraft finance flies out of gloom

BANKERS deploring the lack of new business following the latest spate of corporate restructurings can take consolation from noting that financ-ing of aircraft for even the

most beleaguered nations is being successfully completed. Chase Investment Bank and General Electric Capital Corp are preparing this week to launch a syndication for a \$311m financing for govern-ment-owned Ethlopian Airlines. Ironically, the nation which is the subject of a world-wide famine relief effort aimed at averting the deaths of up to 2m of its citizens has run Africa's most profitable airline.
The funds will be used to
buy five 575-200 long-range Boeing aircraft and three spare engines. Of the money to be raised, \$100m will be provided

by GE Capital as a subordi-nated loan, providing senior lenders with comfort in the form of a maximum loan-to-asset value ratio of 52 per cent. Lenders unnerved by the

nation's political instability—
it has been fighting a 28-year
civil war and its President survived a foiled coup attempt last
year — will be relieved to learn
that the lenders have arranged
for elevent representation insurfor aircraft repossession insur-ance to be placed with Lloyd's. Also, Chase says it has suc-cessfully completed syndica-

tion of a \$99.6m financing for Zambian Airways' purchase of one McDonnell Douglas MD-11. The aircraft will actually be purchased by a company owned by a US-based trust, thus allowing banks to show the loan on their books as US risk. The manufacturer has also provided lenders with a

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"loss deficiency guarantee," ensuring that they will recover most of the aircraft's cost if it has to be resold in event of

default.

Terms of the loan call for a margin of 150 basis points over London interbank offered rate, (Libor), a commitment fee of % and front-end fees of 30 basis

\$10m or more.

Meanwhile, J.P. Morgan has extended indefinitely its syndication of the \$409 senior debt financing for Swedish Match, the leveraged buy-out of the consumer products division of Stora. As well as the concern about lending to highly lever aged transactions, bankers were said to have balked after learning that about two-thirds of senior debt repayments were dependent on the borrower's ability to sell assets, some based in Latin America.

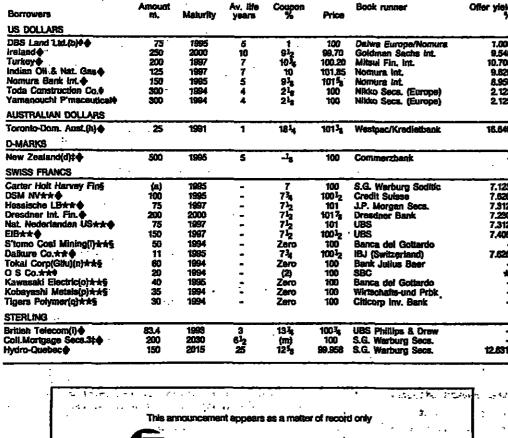
Separately, the Bank of Greece says it is seeking bids from lenders to arrange a \$500m eight-year loan. Bankers note that the borrower's time-table appears somewhat ambi-tious — bids to be submitted by February 27, with comple-tion of the loan before elec-

tions on April 8.
National Westminster
announced terms for its \$100m three-year revolving credit facility for Centex Corporation, a Dallas-based property company. The loan may be extended annually at the lender's option after the first 18 months. It carries a margin of 18% basis points, a facility fee of 17% basis points and a com-mitment fee of 6% basis points. Barclays de Zoete Wedd is

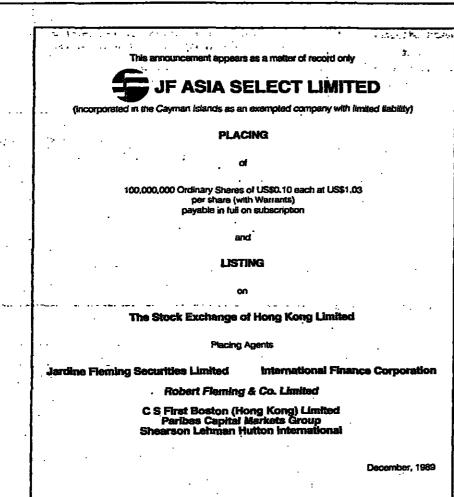
arranger of two commercial paper programmes, one a \$500m multi-currency programme for Barclays Australia International Finance. The paper will carry A-1+/P-1 credit ratings. The other is a £100m commercial paper pro-gramme for Mitsubishi Corpo-ration Finance. The securities will also be rated A-1+.

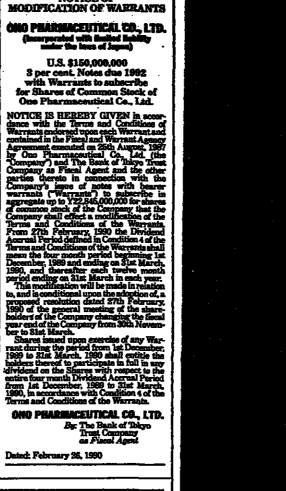
KommuneKredit, a Danish credit association lending to municipalities, has established a \$150m Euro-commercial paper programme arranged by Nikko Securities (Europe). The securities are rated P-1 by Moody's Investors Service.

Norma Cohen



	250 200	2000 1997	10 7	91 <sub>2</sub> 10 4	99.70 100.20	Goldman Sachs Int. Mitsul Fin, Int.	9.548 10.708	EIB(m)∳ LIRE	1bn	1998	8	10.40	99.65	Banque Indosuez	10.467
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That sums up Gannett's financial performance since 1967. In 1989. thecompany posted its 22nd consecutive year of revenue and earnings increases, a record unmatched in the media industry. We recorded profits of \$ 397.5 million and revenues of \$ 3.5 billion, increases of 9 percent and 6 percent, respectively, over 1988. Earnings per share advanced 9 percent to a record \$ 2.47. Gannett means financial success,

**€)** GANNETI

now and in the future.

NOTICE TO THE HOLDERS OF TOYO SASH CO., LTD. Warrants to subscribe for sheres of Common Stock of Toyo Sash Co., Ltd. issued in conjunction with an issue for US\$100,000,000 1%% Bonds due 1992 Pursuant to the Paying and Warrant Agency Agreement dated 30th June 1987, notice is

hereby given as follows: 1. On 18th December 1989, The Board of Directors of the Company resolved to make free distribution of sheres of its Common Stock to shareholders of record as of 31st March 1990 (3,00PM Japan time) at the rate of 0.3 share for 1 share hold.

2. Accordingly the adjusted Subscription Price per share of me souve-manuoned warrants will be Yen 1,925.40 per share of Common Stock, with effect from 1st April 1990 (Japan time). TOYO SASH CO., LTD.

By: The Taiyo Kobe Sank Limited ipal Paying Agent Dated: 26th February, 1990

NOTICE TO THE HOLDERS OF TOYO SASH CO., LTD. Warrants to subscribe for shares of Common Stock of Toyo Sash Co., Ltd. issued in conjunction with an-issue for US\$500,000,000 41/3 Bonds due 1993

Pursuant to the Paying and Warrant Agency Agreement dated 11th May 1989, notice is 1. On 18th December 1989,

The Board of Directors of the Company resolved to make free distribution of shares of its Common Stock to shareholders of record as of 31st March 1990 (3.00PM Japan time) at the rate of 0.3 share

Accordingly the adjusted Subscription Price per share of will be Yan 3,737.70 per ffect from 1st April 1990 (Jepen time). TOYO SASH CO., LTD.

The Mitsubishi Bank Limited Principal Paying Agent Dated: 26th February, 1990

SPONSORED SECURITIES | 200 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 Robert Jenkiss ..... Torday & Cartisle \_\_\_\_\_\_\_
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#### INTERNATIONAL CAPITAL MARKETS

200 basis points by the end of

US markets were troubled on Friday by rumours that Bonn

was considering an inflation

The Government stoutly

denied the report but the fears

Mr Greenspan told Congress

that rising rates in Japan and

West Germany had helped

push up interest rates at home

This was an inevitable con-sequence of nations' increas-

ingly inter-dependent econo-

Congressmen that this was not a signal that the US was losing

control over its economic pol

eign capital may be exagger-ated, he said. US investors hold

more than \$26,000bn of dollar denominated claims on US bor-

rowers but foreign investors

own only \$1,500hn.
The US may need a \$115bn

fix of foreign capital to plug its

current account deficit each

year but that is only a fraction of the \$740bn raised by US non-

financial borrowers. Thus

domestic, not foreign, consider-ations overwhelmingly set US

policy. "Mr Greenspan threw cold

water on the notion that we're

not masters of our own destiny

and are constrained by events

across the ocean," says Mr

In fact, some foreign inves-tors might have felt the US

was something of a safe haven

last week compared with Ger-

many and Japan. Certainly

they were among eager buyers at the Treasury's auctions

of five-year notes on Thurs-

Brusca of Nikko.

The US dependence on for-

However, he stressed to the

in recent weeks.

inducing one-for-one exchange rate for East and West German

this year.

**US MONEY AND CREDIT** 

### Uneasy calm replaces volatility

SOME SEMBLANCE of composure returned to US credit markets by the end of last week following their ungainly tumble on the first day of trading after the

resident's Day long weekend. Although the domestic US picture looks quiet enough for this week, Wall Street traders and investors will remain edgy

about policy abroad. The row in Tokyo over Japanese monetary policy and concern over the economic impact of German unity will continue to reverberate around the

Both worries, counled with some initial confusion over the testimony to Congress of Mr Alan Greenspan, the Federal Reserve chairman, wreaked havoc with the markets last Tuesday.

The price of the Treasury's benchmark 30-year bond dropped 21/4 points on the day, the biggest fall in six months. The yield jumped to 8.66 per cent, its highest level since last

May.
Mr Greenspan said the US economy was picking up a lit-tle steam and thus it was increasingly unlikely to slip

Coupled with his comment that inflation remained persistently high, the markets sumed no further easing of monetary conditions was in sight. Worse, the Fed might even tighten if inflation

remained sticky. Because few investors have any firm conviction of where credit markets are heading, they have been quick to sell in

recent weeks. The volatility was evident on Tuesday. Mr Greenspan must have been a little unhappy about the market response to events at home and abroad as his tune was slightly different when he returned to Congress on Thursday to give more testi-

Day two had "quite a differ-ent ring" from day one, said Griggs and Santow, a New York firm of money market analysts. The substance was similar but Mr Greenspan chose to emphasise different

points. The markets thought he was more even-handed and less bearish. In spite of the big 1.1 per cent jump in the consumer price index for January, announced the previous day, he argued inflation was not a

lysts agree. Mr Robert Brusca, Nikko's chief New York economist, says "the Fed's own charts on inflation ... show

Producer price inflation has advanced steadily since 1986. Consumer price inflation looks comfortable over the past three years but the core goods component has accelerated sharply in the past few months.

The Fed is not clearly making the inflation progress it requires," Mr Brusca says. Griggs and Santow says the Fed seems to acknowledge this, judging by a "small change in policy thinking" evident in Mr Greenspan's testimony.

Whereas the Fed had indicated its desired rate of real economic growth was 2 to 21/2 per cent, it would now seem prepared to let it fall to at least 1% per cent before easing

Its willingness to skirt even closer to a recession should growth falter again must come rom its concern about inflation, Griggs and Santow says. If US investors were growing

impatient over minute analysis of domestic policy issues, they could always wrestle with the big issues abroad rolling the markets. In Japan, the central hank wants to raise interest

rates to curb inflation and support the yen while the Ministry of Finance argues inflation fears are exaggerated and that steadily rising interest rates, already the highest in five years, are damaging the mar-

Fear that the Bank of Janan Fear that the Bank of Japan would soon bump up the discount rate triggered a 6.8 per cent fall in the Tokyo stock market last week, with Wednesday seeing the third-biggest ever one-day fall.

The debacke was enough to nectuous a discount rate rise.

nostnone a discount rate rise for now but many US investors expect more than one increase in coming months, which in turn will put pressure on US

Similarly, Wall Street is keeping a watchful eye on West German rates.

Last week the yield on 10-year West German bonds briefly breached 9 per cent for the first time in eight years, reflecting widespread certainty that German unity will mean increased money supply, gov-ernment borrowing and infla-

Economists at James Canel in London, for example, argue an early move towards German monetary union will force the Bundesbank to raise official

interest rates by as much as US MONEY MARKET RATES (%) 12-toorth 12-symth High Low US BOND PRICES AND YIELDS 8.42 8.42 8.51

day.

An unusually hefty \$30bn was hid for \$8hn of notes. The auction of two-year notes on Wednesday was more of a domestic affair, with retail buyers attracted strongly by NRI TOKYO BOND INDEX

143.95

6.12

148,14

536

150.00

501

Apple (%)

6,97

175 7.65 7.25 7.26 7.35

22/2/90

143.60

the high yield. This week brings a raft of US economic data. None of it should be too startling to credit markets but they remain vulnerable to further retreat. Mr Greenspan has indicated that he sees no need to reduce US rates and the pressures from abroad will continue.

Roderick Oram

### Domestic inflation blues dominate

THE GILT-edged market marked time last week, ignor-ing the continued strong performance of sterling and focusing instead on domestic inflation blues and events in Tokyo and Germany. Yields for long-dated maturi-

ties - about 15 years -remained above 11 per cent all week, although off their worst, and there appeared little reason to expect dramatic improvement in the near- to medium-term.

With the UK's prospective inflation profile it is difficult to present a case for the glit-edged market until yields rise. A straw-poll of analysts found inflation expectations have risen significantly this year. Interest rates are not expected to fall much more than a percentage point from the current level of 15 per cent. Analysts' forecasts are sensitive to next month's Budget with respect to the valorisation of excise duties. Some of the other price rises currently, or due, in the pipeline include the 7% to 8% per cent increase in electricity and gas bills, a average 12% per cent climb in water prices, a higher than expected poll tax, and a substantial advance in local

authority rents. They are now looking for a peak in the recorded rate of retail price inflation of about 8.5 per cent in April. This could be followed bu a further rise to a level below 9 per cent in August, before coming down to ? per cent in the fourth quarter.

Figures out last week also raised doubts about the extent of the slowdown. The 0.6 per cent increase in gross domestic product in the fourth quarter was stronger than expected; the decline in stocks less than

The monetary statistics contained little by way of encouraging news. Annual Mo growth, adjusted for erratically low bankers' balances, was around 6.3 per cent. The indica-tions for February are that monetary growth is still above nonevary growth is still above 6 per cent. Bank and building society lending was superficially encouraging but was in line with the past six months.

The Bank of England may be dismission of Mo but as for an experience of Mo but as for an fismissive of M0 but as far as the Treasury seems concerned it is the best monetary indicator policy makers have. The credibility of the Government's medium-term financial strategy would be undermined if Treasury does not lower the target growth range of Mo to between 0 and 4 per cent for 1990/91. The indications are

THE APPRARANCE of a water company at the long end of the market (2015) raising £150m did not help sentiment in the gilts

that it will, aithough it may

not attain it until this time

next year.

UK gilts yields

tated at par (%) Feb 23, 1990 Feb 16, 1990 10 years 20

market. But the issuer, Hydro Quebec of Canada, must have caused some embarrassm Britain's newly-privatised water companies.

At the beginning of the year the UK water companies could have sold their debt at about 150 basis points above long gilts, then yielding just below 10 per cent. That represented a good opportunity to securitise part of the £7hn-plus bank borrowings they had, and more than 100 basis points better than they could do it now. UK long-term borrowers have been timorous since the

steep change in gilt yield occurred mid-way though Jan-uary. According to some, the window of opportunity that the Bank's buying back of gilts afforded issuers last year might be shut. They say that

issuance will be deterred now that long yields have gone above 10 to 10.5 per cent. In any event, there would be few willing to say long gilt yields will get below 10 per cent again this year. If the UK water companies — which were reportedly looking only to issue £750m of debt this year come to market they will do so knowing they could have done

better in January.

THE CILTS market may not be attractive to domestic institutions currently, but foreigners have done quite well. According to Nomura, in local currency terms the gilt market has been the best performing of the leading markets since the begining of the year. Added to that, there has been a 4 per cent appreciation of sterling.

improving trend and domestic inflation concerns mean that short-term interest rates will remain high. Nomura expects gilts to come back in favour to Japa-ness investors who took profits

The trade deficit is on an

earlier in the year. Japanese personal financial assets are increasing by more than Y50,000bn (£210bn). Nonura speculates even a tiny proportion allocated to gilts should ensure gilt out-performance over the coming year.

Simon Holberton

#### FT/AIBD INTERNATIONAL BOND SERVICE

### MA BOLLAR STRAKENTS A.B.H. 91, 94. ABBEY NATIONAL ET, 93. AETRALIFE & CAS 71, 16. ALBERTA PROVINCE 79, 93. ALBERTA PROVINCE 99, 93. ALCOR AUSTRALIA 11 92. AMEDITA DE ENERGIA 91. 92. 20CKWELL INT 9% 90 S.A.S. 10% 95\_\_\_\_ ALI ED-SIGNAL 64, 92 AUSTRIA 44, 94 AVON CAPTIAL 64, 92 PARCIANS OS 189 6 96 B.F.CE 53 98 CONADIAN PACIFIC 64, 96 DEMMARK 64, 92 EIR 44 PARTIE 54 96. ELEC DE FRANCE 54 96. ELECTRIMA 64 95 FEDUAT MONT, 64 92. SARCLAYS JEES-BELGIUM 772 97 BELGIUM 972 92 BELGIUM 974 98 TAMEST PROP 774 93. 1473,915W. er de de la company de la comp إلىلىلەرەئىئىلىلىلىدەد ALBERTA PROVINCE 10 92 BIS MONTREAL REALTY 103, 92 BIS MONTREAL REALTY 103, 92 BIST 105 95 BIST 105 00 LIMBER 124, 91 FARM CRED COMP 91 GER IT ZC. CAPITIN. 104, 93 LAVAL CITY 104, 94 MONTREAL TRISTED 54, 90 MONTREAL TRISTED 54, 90 MONTREAL TRISTED 54, 90 100 500 75 300 100 100 175 40 150 500 75 NA 0.050 DENMARK-L/9 95 70 DENMARK-L/9 95 91 XW EM WITL BANK 91 XW FERRO DEL STAY 94 FERRO DEL STAY 97 ITALY 94, 96. ITALY 94, 96. ITALY 94, 97. ITT ARTILLES 112, 92. ITT GEDOT CORP 104, 92. IAPAN DEV SIK 94. IAPAN INCHEST 19, 96. IAPAN INCHEST 94, 96. MARTYGE 84, 91. MARTY & SPENCER 84, 96. MARUBERN 114, 91. MERCELLY CHORT 74, 93. METHIFF PUBLISH 74, 96. MITSUBISH CORP PIN 74, 92. MITSUBISH EST 104, 92. ## Car or street with the stre HI DK 14 02

STRABERT BORDS: Yield to redemption of the mid-price. Amount Issued is expressed in millions of currency units except for Yen boods, where it is in billions.

FLRATING RATE NOTES: US dollars unless indicated. Hargin above six-month offered eats for US dollars, C.com = Corrent coupon.

CONVENTIBLE BORDS: US Dollars unless indicated. Prom = percentage premium of the current effective price of buying shares via the bond over the most recent share price. Bond warrant ex yid = exercise yield at current warrant price.

Closing prices of the price of buying shares via the bond over the most recent share price. Bond warrant ex yid = exercise yield at current warrant price.

Closing prices of the prices of the price of buying shares via the bond over the most recent share price.

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£ 10,000,000

enter 1983 = 100

Government 10-year

**Capital Restructuring** 

**Multicurrency Asset Finance** 



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15--17 May, 1990



Halifax Building Society

Rosting Rate Loan Notes 1996 For the three month period from 23rd February, 1990 to 23rd May, 1990 the Notes will bear interest at the rate of 15% per cent. per n. The Coupon amous be 185.92 per £5,000 Note and 1859-25 per £50,000Note, payable on 23rd May, 1990.

Morgan Grenfell & Co. Limited

DSL Bank DM 100 000 000,-Floating Rate Notes Schuldverschreibungen

-Serie 225-1987/1997 For the three months 25th February 1990 to 24th May 1990 the notes will carry an interest rate of 8,90% (Fibor less 0,10%) per annum with a coupon amount of DM 103,75 per DM 5,000, - note.

The relevant interest payment date will be 25th May 1990.

Listing in Düsseldorf and Frankfurt.

Deutsche Siedlungs - und Landesrentenbenk nedyalles 62-70, 5300 Bonn 2 Telephone 02 28 /889-215 tex 228324 DSL Bank

New Zealand £200,000,000

Floating Rate Notes 1997

In accordance with the provisions of the Notes, notice is hereby given that, for the three month period 22nd February, 1990 to 22nd May, 1990 the Notes will bear interest at the rate of 15 his per cent. per annum. Coupon No. 19 will therefore be payable on 22nd May, 1990 at £1,851.63 per coupon from Notes of £50,000 nominal and £185.16 per coupon from Notes of £5,000 nominal.

S.G.Warburg & Co. Ltd. Agent Bank

### INTERNATIONAL COMPANIES AND FINANCE

Gardini set

to take

control of

By John Wyles in Rome

MR RAUL Gardini, head of

Italy's Ferruzzi-Montedison group, looks set this week to add "company snatching" to his list of accomplishments.

Barring further legal developments, by Wednesday evening he may well be in partial control of Enimont, the chemi-

cals joint venture 40 per cent

owned by Montedison and 40 per cent by RNI, the state

Then, a simple majority will suffice, whereas a 65 per cent

majority for the nominees will be needed at the first meeting

judge on Saturday.
One of Enimont's newly-de-

clared owners, with 4 per cent of its stock, is controlled by Mr Jean-Marc Vernes, who is president of Ferruzzi-con-

president, and Mr Gardini must be left to sort things out

without political interference.

But his Christian Democrat

colleagues are looking to Mr Giulio Andreotti, Prime Minis-

ter, to restrain Mr Gardini and to "save" Enimont for the pub-

Although he may control seven of the 12 board seats at Enimont, Mr Gardini will not

have a strategic grasp of the

company as its statutes require two-thirds agreement

for all significant decisions

affecting investments and

product development. Nevertheless, he was in a

triumphant mood at a meeting in Padua on Saturday of about

1.500 Enimont managers. "I

am now in charge of Italian chemicals," he declared, "and those who do not like it can leave."

Enimont

### Spanish banks start deposits war

A LONG-expected deposits war among Spain's big banks looks set to begin today when Banco Espanol de Credito (Banesto) begins paying interest on cur-rent accounts in a challenge to a similar and hugely successful move by Banco Santander last

Big colour inserts by Banesto in Spain's Sunday newspapers yesterday, advertising the arrival of its "Single Account," announced that the multi-use facility would offer Interest of up to 13 per cent. Santander, which began its "Super Account" last year at a maximum 115 per cent has maximum 11.5 per cent, has just raised this to 12.5 per cent. Banesto's new account finally puts paid to the long-standing agreement between Spanish banks not to attack each other by breaking their informal interest rate car-

Santander's challenge has proved increasingly difficult for the rest of Spain's big banks to ignore. Between August and December last year, Santander's current account deposits grew by

Shipping group

earnings double

to NKr236m

By Karen Fossii in Osio

LABOREMUS, the Norwegian

shipping group, automaced on Friday a near doubling of prof-its, before extraordinary

items, to NKr235.6m (\$36.5m) in 1989 from NKr121.8m in 1988 and that it would pass its

dividend payment for 1989. The board recommended that profits for 1989 be used to

strengthen further the group's

capital base, in light of recent years' expansion and the demerger of offshore activ-

Laboremus said that the fig-

ure for 1989 comprises net

operating profits, after depre-ciation, of NKr125.3m against NKr72.3m in 1988, gains from sales of ships of NKr147.9m in

1989 versus NKr62.2m a year earlier, and an increase of net financial costs to NKr37.7m

Extraordinary profits declined to NKr15.6m in 1989

from NKr20.7m. Net profits, before year-end allocations, reached NKr251.2m against a previous NKr139.2m.

from NKr12.7m.

Simon Hollen

Pta282bn (\$2.6bn) to Pta658bn. taking it from fourth to second place behind Banco Bilbao Vizcaya (BBV), the country's big-

BBV's current deposits, by comparison, grew just Pta51bn to Pta784bn. On average, San-tander's rivals among the hig seven banks managed to increase current deposits by just Pta37bn.
Most of these rivals have

held back so far by convincing themselves that servicing the "super" accounts was simply too expensive. Spanish banks are subject to punishing liquidity reserve ratios (the proportion of their deposits which has to be lodged with the central bank). At one point last year the ratio rose above 18 per cent before falling back last December to 17 per cent.

These reserve obligations, ay bankers, make it impossible to offer retail services which would help them com-pete when European Commu-nity banking is liberalised after

The Bank of Spain, however, has decided to slash the reserve ratio to just 5 per cent and the draft budget law pub-lished last Friday envisages a legal maximum of 7 per cent. That cut was to have been made last week but a last-min-ute technical problem apparently arose on Friday, and a formal cut is expected this

week. Bankers have given the measure a mixed welcome. At the moment just over half the reserves lodged with the Bank of Spain — 9.5 per cent — earns 7.5 per cent interest. The other 7.5 per cent is deposited interest-free. When the ratio is cut to 5 per cent, no interest will be paid.

Even worse for the banks, they are being forced to spend the money theoretically freed by the cut in required reserves on certificates of deposit (CDs), to be issued by the Bank of Spain. Probably reflecting con-cern at the central bank about the effect on money supply of all the freed reserves coming into play immediately, the CDs are to mature at the turn of the century and offer interest of

In addition, the authorities are still forcing the banks to limit growth of their lending this year to about 10 per cent.
Bankers warn that this, comblined with the low interest to
be offered on their freed reserves, will damage 1990 profit and loss accounts.

To an extent, the banks are still trapped. But the key to Banesto's new account — and other big banks will almost certainly follow it — is that any new deposits will be subject to the 5 per cent reserve requirement only. Any new customers are going to cost banks only a fraction of what

they have until now.
In addition, the CDs about to
be issued in lieu of required reserve by the central bank will be tradeable. And although they will pay only 6 per cent – in recent weeks, rates on some public debt instruments have risen to more than 14 per cent — many hanks may find it preferable to get rid of them and concentrate on doing business in the coming, less fettered, environ-

### Aker and Banesto row nears end

AKER, the Norwegian cement group, and Banco Espanol de Credito (Banesto), one of Spain's big commercial banks, appear to be close to ending their bitter dispute over control of Spain's third-largest cement group, Valenciana de

Banesto said at the weekend that the two sides were negotiating over a division of the

However, it declined to con-

firm publicly reports that an agreement had already been signed.

Valenciana de Cementos was to have been one of the corner-stones of a new industrial group being established by Banesto. But these hopes were dashed late last November when Aker, helped by a big family shareholder in Valenciana, took over 24 per cent of It is believed that Aker and

take full control of the parent company, Valenciana, together with eight other subsidiaries, including Cementos del Mar and Cementos del Atlantico, taking its cement-producing capacity to 8m tonnes a year.

sional arrangement, would take over about 4.7m tonnes of capacity, including Sanson, Portland Iberica and Portland

### Auditors quit PepsiCo account

By Roderick Oram in New York

ERNST & Young has resigned as auditor of PepsiCo following an ultimatum from Coca-Cola that the newly-merged accounting firm choose which of the two soft drink compa-

nies it would serve. The conflict is the largest that has arisen so far following

auditor, had combined with Arthur Young, PepsiCo's auditor. Coca-Cola denied it had put pressure on Ernst & Young, saying the decision to drop PepsiCo was the firm's

Ernst & Whinney has served Coca-Cola for more than 60 last year's wave of mergers among many of the world's leading accountancy firms.

Renst & Whinney, Coca-Cola's had audited PepsiCo for 25

years, generating some \$9m in fees last year. The decision to drop PepsiCo will have minimal impact on Ernst & Young's finances. Its ing, consultancy and other professional services is about \$4.5bn a year. But industry analysts said the move indi cated that former Ernst &

Whinney partners had the upper hand in the new firm.

the Serratosa family are to

Banesto, under this provi

### trolled Béghin-Say and a board member of Montedison. The Government, which has endlessly intoned that Eni-1,500 filling stations. Last April mont must remain in public hands, is both astounded and divided by Mr Gardini's audac-ity. Mr Claudio Martelli, the Deputy Prime Minister, says that Mr Gabriele Cagliari, ENI

Gamma Holding of the Netherlands that Gamma will buy a 55 per cent controlling stake and launch a formal takeover offer for the remaining shares at BFr9,250 each. This values the Belgian company at BFr2.16bn (\$61m).

Founded in 1898 and a leader

Gencor to merge assets left by Mobil divestment

GENCOR, South Africa's second largest mining house, is to merge the oil refining and distribution networks acquired when Mobil, the US oil giant, divested its South African oil and gas interests last year.

The intention is that Trek Petroleum, a Gencor subsidiary operating a nationwide chain of filling stations, will issue shares to acquire Mobil. It will also pay R30m for Gencor's 30 per cent interest in the state-owned Mossgas offshore gas project and R24.8m for the house's participation agree-ments with state-owned Soekor

per cent by kni, the state energy company, he launched just over a year ago.

Mr Gardini appears to have the necessary votes to assure the election of two friendly directors at the second company shareholders' meeting. oil exploration company.

Essentially the transaction is reverse takeover of Trek, to be renamed Engen, allowing Gencor to obtain a Johannesburg Stock Exchange listing for its oil interests. The group has not disclosed any operat-ing details of either Mobil or Trek as the Petroleum Prodtomorrow. ENI's attempt to have the assembly postponed was rejected by a Milanese

South Africa. However in round figures the group estimates Engen's annual turnover will be more than R5bn (\$1.96bn) and its taxed profit in the region of R200m. After the merger the company will operate about

ucts Act bars disclosure in

Gencor paid R600m (then equivalent to \$150m) for Mobil's South African interests when the US oil company

At the time the American parent company said it was divesting because recent US legislation removed double taxation shields. Mobil owns a chain of about 1,000 filling stations in South Africa and a refinery at Durban.

The refinery's capacity is not disclosed, but in round figures it is believed to be producing about 60,000 barrels of liquid fuel a day. Its capacity at one stage was estimated at 100,000 barrels but Mr Bernard Smith, the Engen chairman, says most of South Africa's oil refinerles have been cannibalised and that their capacities are now less than before.

Engen is at present evaluating an approximately R500m project to upgrade and expand the Durban refinery. All of the oil and synfuels companies operating in South Africa receive large but undisclosed effective subsidies as petrol and diesel prices are fixed at artificially high levels needed to ensure the costly Sasol synthetic fuels producer remains

sales network, and that under

group would continue to be

autonomously run. The merged

company would be particularly well placed to strengthen its

position in the household,

clothing and industrial sectors.

Gamma, which has a turn-over of FI 775m (\$412m), is the

biggest Dutch textiles group

and comprises about 20 specialised units throughout Europe. A leader in exotic

clothes destined for the Afri-can market, almost 80 per cent

of its sales are made outside

The effect of the high-guaranteed prices has been to persuade international oil majors to continue their South African operations, even though the advent of Sasol resulted in conventional refineries becoming under-utilised.

Apart from its R54.8m cash

payment for Gencor's Mossgas and Soekor participation interests, Trek will issue 89.8m new shares to Gencor. This will lift Trek's total issued shares to 110m. of which Gencor will own 84.4 per cent directly and another 9.6 per cent indirectly through its Genbel subsidiary. In 1992 Engen has to decide if it is to invest a further Ribn in Mossgas for its share of the gas company's equity funding. The intention is that Mossgas's shareholders will provide 40 per cent of the company's approximately R8bn capital cost, the Government will match that with a soft loan and the remaining 20 per cent will be financed from commercial loans.

Independent analysts have estimated the cost of producing liquid fuels from Mossgas's gas at about four times that from crude oil. They add Mossgas will remain dependent on sub-sidies if it is to be profitable.

S Africa insurer

climbs to R50m

### **Dutch textiles group to** acquire De Witte Lietaer

DE WITTE Lietaer, Belgium's only publicly quoted textile business, is passing into Dutch

De Witte has agreed with

both in high quality household linen and materials for the car industry, De Witte is known to have been actively seeking a partner since last year. Until yesterday most analysts had been predicting that the com-pany would link with Santens, another leading Belgian tex-

By Jim Jones COMMERCIAL Générale de Banque, De Witte's adviser, said the two companies had complementary

Assurance, the South African composite insurer affiliated to Commercial Union of the UK, product lines, that De Witte suffered a sharp drop in its would be able to take advan-tage of Gamma's international underwriting profit in 1989 but nevertheless increased its pre-tax profit. its new owners the Belgian

Net short-term premiums increased to R263m (\$103m) from 1988's R231m but the underwriting profit fell to R11.5m from R21.3m as a direct result of the present rates war and the rising cost of individual claims.

Higher investment income and a greater share of life assurance profits combined, however, to lift the pre-tax profit to R50.5m from R43m. Rarnings increased to 387.3 cents a share from 312.4 cents. The dividend has been lifted to 95 cents from 75 cents.

#### **CONTRACTS & TENDERS**

### **CHILE - PUBLIC TENDER**

### **PORPHYRY COPPER MOLYBDENUM OREBODY** Rosario de Rengo

#### Location

115 kms south of Santiago by highway, plus 45 kms east of the city of Rengo by gravel road. 2,500 masi, 40 kms south of E1 Teniente Porpyry Copper Molybdenum Orebody (Codelco Chile). The Port of San Antonio is 180 kms by highway.

#### Characteristics

"Porphyry Copper Molybdenum Orebody. Age less than 10 million years." (Geologic Report of Chilean & Japan Governments Semaganmin and Metal Mining Agency of Japan 1983-1984).

Mineralization covers 4.4 kms NS and 1.3 kms EW. Mining rights protect the whole or a body. thus far, Reserves reach 23.5 millions tons, and REsurces from part of the potasic and phillio zones are estimated to be 540 million tons.

Rosario's brecciated ores allow granuletric preconcentration followed bny gravity preconcentration before feeding the mills.

Investments included in tender : water rights for hydroelectric generation, La Pandina Hydroelectric Power Plant Supply Contract, prepared Open Pit for 10.000 Mt/day extraction, Worker Camps, Roads and other Facilities.

### **Tender Date and Documents**

Tender closing date will be April 27 at 12.00 hrs Chilean Local Time. Offers should be presented in sealed envelopes, which will be opened by a Notary in the offices of Samuel Lira Ovalle (Lawyer), Agustinas 1357 5 Floor (Tel 726254; FAx 711039; Telex 340501 PATSIL), who has been appointed by the owners to administer the tneder. Tender documents are available at above mentioned address at a cost of chilean pesos 600.000 including VAT. Participation in the tender is only permitted to purchasers of official tender documents.

#### REPUBLIC OF GHANA **VOLTA RIVER AUTHORITY**

#### AKOSOMBO GENERATING STATION RETROFIT PROJECT INVITATION TO TENDER

The Volta River Authority (VRA) is arranging funding in various currencies towards the implementation of the Akosombo Generating Station Retrofit Project and together with its own financing, intends to apply the proceeds to eligible payments under this project.

VRA invites Tenders from suitably qualified and experienced firms for the following Contracts.

Contract AK-2 - Turbines The scope consists of:

modification; repair welding of runners and retrofit of 6 turbines.

removal of existing governors and installation of 6 governors under supervision of the

installation of turbine parts (supplied by VRA) and retrofit of the 6 turbines and 6 governor hydraulic power systems

testing and placing the turbines and governors into successful operation.

#### Contract AK-3 - Governors

The scope consists of the design, manufacture, delivery, and supervision of installation and commissioning of 6 complete electric hydraulic governors, including electronic controls, oil distributing value, restoring system, speed sensing and mechanical shutdown devices and

Contract AK-5 - Mechanical and Electrical Services

The scope consists of the design, manufacture, delivery and installation of the following:

Modification and retrofit of the powerhouse ventilation, fire protection systems, generator cooling water system, drainage and unwatering system, compressed air systems and standby diesel generator

#### Electrical

Modification and retrofit of the 415-V ao systems, 120-V dc systems, data logging, events recording, unit controls, protection and miscellaneous auxillary systems.

It is anticipated that Tender Documents will be available for the above Contracts during April 1990, with Tenders expected to be received in July 1990

A pre-tender meeting will be held in Akosombo during May 1990 and it will be mandatory for all companies who intend to submit Tenders for Contract AK-2 or AK-5 to attend this meeting. Companies interested in tendering for one or all of the above Contracts may obtain Tender Documents by submitting a written request accompanied by a certified cheque in the amount

Project Manager Akosombo GS Retrofit Project Acres International Limited

of US \$200 for each Contract to:

5259 Dorchester Road Niagara Falls, Ontario, Canada L2E 6W1 Telephone: (416) 374-5200 Telex: 021-615107

With copy of Resident Manager request to: Akosombo GS Retrofit Project Volta River Authority P.O. Box M-77 Accra. Ghana Telephone No. 664941 Telex No. 2022

Tenderers will not be prequalified. However, evaluation of the Tenders will include an assessment of Tenderers' experience and technical and financial competence to undertake the Contracts. The criteria for this post-qualification procedure will be included in the Tender

Other Contracts required for the project wil be treated separately.

### **INVITATION No. T-10/82**

The Peoples Democratic Republic of Ethiopia has received a loan from the American Development Fund in various currencies towards the cost of Road Maintenance Equipment and spare parts and it is intended that the proceeds of the loan will be applied to eligible payments under the contracts for the supply of equipment and spare

The Ethiopian Transport Construction Authority now invites sealed bids from eligible bidders for the supply of Road Maintenance equipment and spare parts. Only Suppliers from member countries of the African Development Bank and African Development Fund state participants are eligible to bid. All Goods and ancillary services must have their origin from member countries of ADB and ADF State participants.

Interested eligible bidders may obtain further information from one set of bidding documents to be collected during office hours from the Procurement Office Room No. 106 upon payment of non-refundable Birr 50.00 per set. Each request for documents shall be accompanied by the Official name and address of the bidder.

The closing date for submission of bids shall be 10:00 hours local time on May 9, 1990 at which time the opening will take place in the Conference Room 4th floor of the Ethiopian Transport Construction Authority Headquarters

The Ethiopian Transport Construction Authority reserves the right to reject any or all bids that are not in conformity with all conditions and specifications mentioned in the

ETHIOPIAN TRANSPORT CONSTRUCTION AUTHORITY

### RENTALS

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### **IPSWICH & FELIXSTOWE**

The Financial Times proposes to publish this survey

26th March 1990

For a full editorial synopsis and advertisement details, please

DOMINIC GOOD on 01-873 3000

or write to him at:

Number One, Southwark Bridge London SE1 9HL

FINANCIAL TIMES

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FT UNIT TRUST INFORMATION SERVICE \* For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT **AUTHORISED UNIT TRUSTS** | The state of the 56 (Accession - 56 / Huber 70 Sept 7-3-2011 1189; Fisicality Enverthment Servis Ltd. (1200); Fisicality Enverthment Servis Ltd. (1200); Fisicality Enverthment (1200); Testing Guild Management Ltd (1600)F All characters Dav Migant Servs Ltd (1200)H 19/21 Billithry Street, London ECSM 2787 0.0 5.78.7354 Analyst Informs — \$16.179 0.139 0.51314.6214602 Analyst Accum — \$14.274 0.139 0.7.0914.6214602 Encode Berley No. 51:146 10 47.40 90 422.549 0.598 The second secon Son. 8 372.7[3 LS 10000. City Financial Serg. 8. Inst List (1.200); 36.359 38.46.59.4000. List list Hart Vard, Loston Bridge, SEI (1.200); 36.504 377.6522 0000. LWhite Hart Vard, Loston Bridge, SEI (1.207); 39.504 377.6522 0000. SLCA n.2-11. (2.57.67); 37.83 38.461.344400. Slcar n.2003; 37.81 | Injunities Grantin | 5% | 40.27 | 40.63 | 43.22 | 10.00 | 47.28 |
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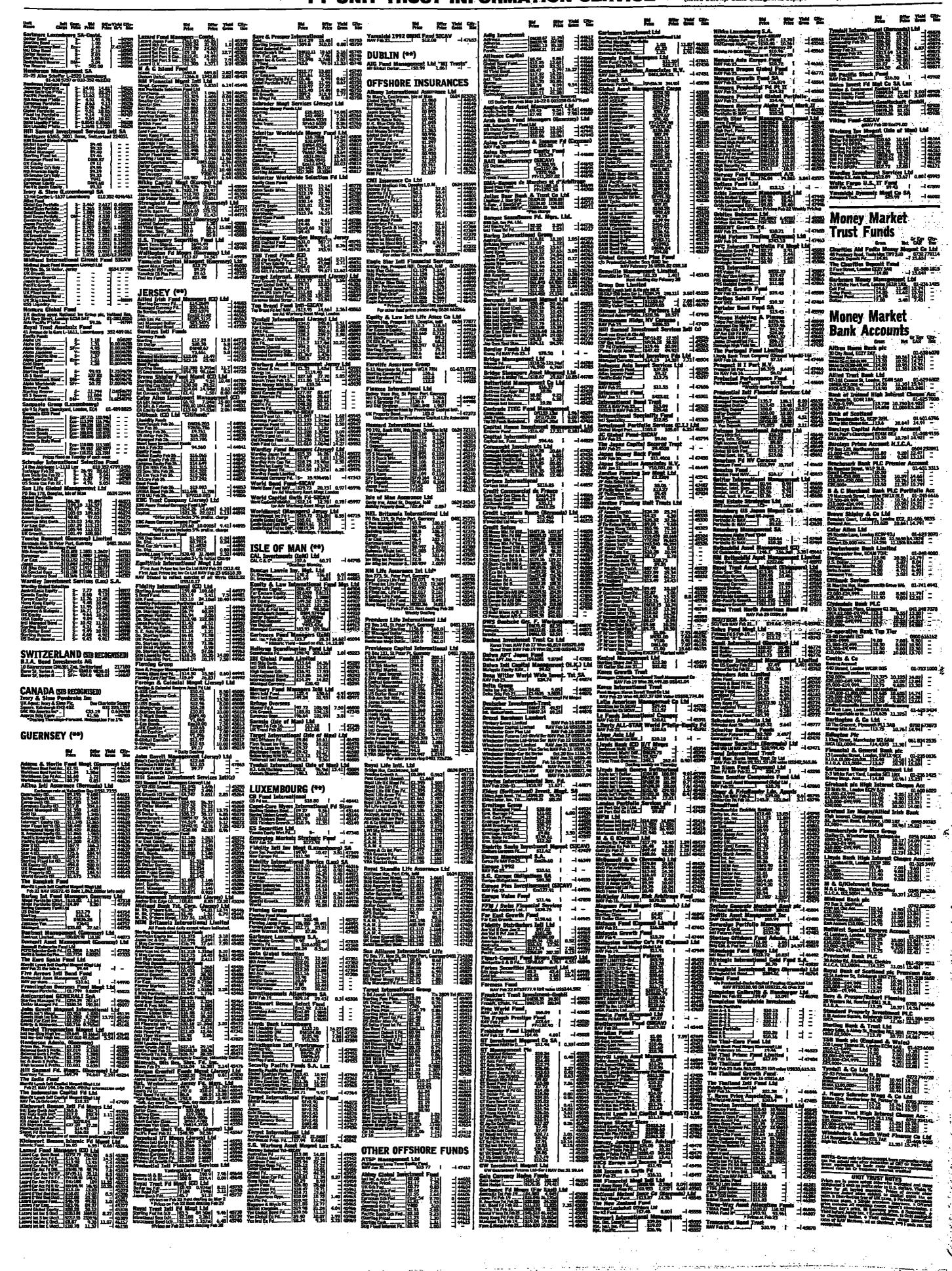
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### **CURRENCIES, MONEY AND CAPITAL MARKETS MONEY MARKETS** POUND SPOT- FORWARD AGAINST THE POUND Market questions D-Mark and yen WEAK EQUITY markets and fears about the cost of German monetary union encouraged moves into the higher yielding European currencies, such as sterling and the Swiss franc last week. Investors took the view that the sharp fall in share prices in Tokyo and the implications of monetary union, or risk having its independence challenged.

monetary union encouraged moves into the higher yielding European currencies, such as sterling and the Swiss franclast week. Investors took the view that the sharp fall in share prices in Tokyo and the implications of monetary union between East and West Germany made the yen and the process of monetary union was also questioned, following a newspaper reportdenied by Bonn - that East German ostmarks would be converted at parity with the D-Mark. The market has assumed that the conversion rate will be set for the ostmark at only about 15th or perhaps UK clearing bank base landing rate 15 per cent from Ociober 5

D-Mark vulnerable, and it was worth looking for better returns elsewhere.

The apparent discord between the Japanese contributed to the D-Mark's fall from favour last week.

As the mood of uncertainty increased about two usually solid currencies, investors looked for higher yields and found the pound and Swiss me more attractive.

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e n	n ne	w Yo	RK	CURRENCY	MOVE	MENTS
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	Inclease Commercial France France France Commercial France	1.581 1.194 1.895 34.7 6.43 147.2 100 0 123 6.45 1.60 11.80 1.80 1.217	3 - 1.9555 5 - 1.2025 5 - 1.5725 5 - 35.00 1 - 1.663 0 - 1.673 1 - 1.67	1.58 1.19 1.89 34, 6.44 1.67 1.66 1.40 1.40 1.40 1.40 1.40 1.40 1.40 1.40	20 - 1.3836 50 - 1.1978 50 - 1.5985 50 - 35.00 51 - 6.44 5 55 - 147 - 25 50 - 108 10 51 - 1241 5 52 - 6.68 53 - 6.68 54 - 147.95 54 - 1.47.95 56 - 1.47.95 56 - 1.47.95 56 - 1.47.95 57 - 1.47.95 58 - 1.47.95 58 - 1.47.95 59 - 1.47.95 50 - 1.47.95	0.44 0.45 0.00 1.80 1.45 0.9 3.20 0.9 0.9 0.00 0.00	2-0.37cpm 2-0.44cbj 7-0.09cbj 0-8.00cbb 2.00crdis -0.02cbpm 47-52cbj 5.80bress 1.70cress 5-1.00cbs 5-1.70pm 5-0.09cbs 1-0.23cpm	100 255 052 175 251 667 570 462 206 446 147 065 231	1.51 1.37 0.29 12.00- 6.05 0.04 13.00- 4.90 3.93 10.10- 0.10 0.10 0.29 0.29	1-2.71pm -1.41pm 1-1.42ps 1-0.22ps 1-2.20ps 1-2.	6.38 3.49 -0.65 -0.137 -0.134
	Irelands Canada Matheriands Belgiam Demeark W. Germany Portuged Spele Laby Spele Laby Spele Laby Grands Gra	1.581 1.194 1.895 34.7 6.43 147.2 100 0 123 6.45 1.60 11.80 1.80 1.217	3 - 1.953 5 - 1.202 5 - 1.925 5 - 55.00 1.646 0 - 1.630 0 - 1.630 0 - 1.641 1 - 1.241 1 - 5.67 1 - 1.241 1 - 1.	1.58 1.89 34,1 6.44 1.67 1.06 1.240 6.46 1.157 1	20 - 1.3836 50 - 1.1978 50 - 1.5985 50 - 35.00 51 - 6.44 5 55 - 147 - 25 50 - 108 10 51 - 1241 5 52 - 6.68 53 - 6.68 54 - 147.95 54 - 1.47.95 56 - 1.47.95 56 - 1.47.95 56 - 1.47.95 57 - 1.47.95 58 - 1.47.95 58 - 1.47.95 59 - 1.47.95 50 - 1.47.95	0.45 0.93 1.80 0.93 0.93 0.93 0.93 0.93 0.93 0.93 0.9	2-0.37 cpm 2-0.95 cpm 3-0.95 cpm 3-0.95 cpm 3-0.95 cpm 3-7.95 cpm	200 258 172 354 354 467 5 34 292 292 201 466 101 101 101 101 101 101 101 101 101 1	151 137 625 12.90- 6.05 5.04 13.00- 4.90 3.57 10.10- 0.25 10.26 0.25 0.25 0.25 0.25 0.25 0.25	-1.41pm -1.42ps -1.42ps -1.42ps -1.42ps -2.00ds -6.55ds -0.335ds -1.74ps -1.30ds -1.30ds -1.30ds -1.40ps -1.40ps -1.40ps -1.40ps -0.83pm	3.49 -2.79 -0.37 -0.13 -
	releast relation for the comment of	1.581 1.1985 34.77 6.433 1.673 1.673 1.673 1.673 1.673 1.673 1.673 1.673 1.673 1.673 1.180	3-1.3633 5-1.2020 6-1.8925 5-35.00 1-5.600 1-37.60	1.58 1.19 1.88 34,4 6.44 1.67 1.106 1.240 6.5,6 1.1,6	20 - 1.9936 60 - 1.1977 55 - 1.9905 50 - 35.00 1 5.40 1 5.40 1 5.40 1 6.47 50 - 108 10 1 124 1.	3.80 1.85 0.94 1.85 0.94 3.20 0.75 0.05 0.25 0.05 0.05 0.05 0.05 0.05 0.0	2-0.37 (gen 2-0.46 (ci) 7-0.09 (ci) 7-0.09 (ci) 8-0.00	3.00 -0.53 -0.72 -3.54 -0.21 -3.67 -3.02 -4.67 -2.92 -2.92 -2.93 -	151 137 022 12,00- 6,05 0,04 310 13,00- 4,90 3,50 10,10- 0,10 0,10- 0,10	-1. 419m -1. 420h -1. 420h -1. 420h -22.00ds -6. 55ds -1. 0.07m -6. 55ds -1. 1. 0.00s -1. 0.00s	3.49 -2.75 -0.137 -0.137 -0.13 -0.13 -0.13 -0.25
	releast cases released cases a feet of the cases a feet of the cases o	1.581 1.194 1.895 34.7 6.43 147.2 100 0 123 6.45 1.60 11.80 1.80 1.217	5 - 1.7653 5 - 1.2625 6 - 1.8625 5 - 35.00 6 - 1.652 6 - 1.652 6 - 1.652 6 - 1.652 7 - 1.241 7 - 6.11 8 - 1.072 8 - 1.072 9 - 1.123 9 - 1.123 9 - 1.123 9 - 1.221 9 -	1.58 1.89 34,1 6.44 1.67 1.06 1.240 6.46 1.157 1	20 - 1.933 0 - 1.1975 5 - 1.895 0 - 3.500 1 - 6.44 1 - 7.5 5 - 1.47 5 - 1.4	0.4 0.4 0.0 2.0 1.80 0.0 1.45 0.9 3.20 0.0 0.0 0.2 0.0 0.0 0.0 0.0 0.0 0.0	2-0.37 cpm 2-0.95 cpm 3-0.95 cpm 3-0.95 cpm 3-0.95 cpm 3-7.95 cpm	2.50 -0.51 -1.72 -3.59 -0.67 -6.65 -2.92 -2.93 -4.92 -2.92 -	151 137 625 12.90- 6.05 5.04 13.00- 4.90 3.57 10.10- 0.25 10.26 0.25 0.25 0.25 0.25 0.25 0.25	-1.41pm -1.42ps -1.42ps -1.42ps -1.42ps -2.00ds -6.55ds -0.335ds -1.74ps -1.30ds -1.30ds -1.30ds -1.40ps -1.40ps -1.40ps -1.40ps -0.83pm	3.44 -2.75 -0.137 -0.137 -0.13

				NG	CRO	100	DATE	·e		
			(C) //		CAL	133	KAIE			
Feb.23		\$	DMf	Yes	F Fr.	S Fr.	HFL,	Litra	CS	B Fr.
£	0.525	1.709	2.868 1.678	25L3 147.0	9.713 5.683	2.525 1.477	3.238 1.890	2121 1241	2.849 1.199	97.75 34.96
DAL	0.349 3.979	0.5% 6.801	11.0	87.62 1000,	3.387 38.65	6.880 10.05	1.126 12.85	759.5 8440	0.714 8.154	20,F2 237,E
F Fr. S Fr.	1.030	1.759 0.677	2.953 1.136	258.7 99.52	10 3.847	2.600 1	3.325 1.279	2184 840.0	2110 0.811	11.52 23.66
Ji FL Um	0.910 0.471	0.529 0.806	0.888 1.352	77.80 23.65	3.007 4.579	0.782 1.190	1 1523	656.7 1000.	0.634 0.966	18.50 28.17
C S B Fr.	0.488 1.674	0.834 2.850	1.400	122.6 420.6	4.740 16.26	1200	1.576	1095	1 3.429	29.16
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Sterling US Dollar Can, Dollar Can, Dollar D. Gellier Sw. Franc Deutschmuri Fr. Franc Hallan Lira B. Fr. (Fie) B. Fr. (Cook) Ven D. Krene Asine SSing		14%-141 81-82 123-121 83-83 84-64 71-74- 103-101 103-101 103-101 103-101 103-101 103-101 103-101 103-101	2 121 2 121 35 31 107 107 107	143 84 84 77 84 77 84 77 84 84 77 84 84 84 84 84 84 84 84 84 84 84 84 84	154-14 83-84 81-81 81-81 91-81 101-10 10 10 10 10 10 10 10 10 10 10 10 10 1	5 10 13 10 10 10 10	-15.4 -81.7 -81.7 -81.7 -81.7 -10.5	15.3-15 83-8.1 121-12 93-9, 93-9, 93-9, 11.3-11 13-12 101-10 71-73 121-12 82-82		151-151 81-8-121 91-91 91-91 91-11 11-101 11-101 11-101 11-101 11-101 11-101 11-101 11-101
Adding SSing										

FT LONDON INTERBANK FIXING

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		Month	Months	Months	Months	Intervent			
Fresklyri	7.00-7.15	7.40-7.55	7.90-8.05	8.20-8.35	8.65-8.80	8.00			
P2P4	107-107	101-104 81-41 8.75-6.63	. : :	108-117 61-317 8-30-3-00	<u> </u>	10.00			
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LONDON MONEY RATES									
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Feb 23	LOND	. 7 days	ONEY One Mosth	RATE Three Months	Six Months	One Year			
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T-/	CTUA	RIES	WORLD	INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

MATIONAL AND		FRO	FRIDAY PEDRUARY 23 1996 THURSDAY FEBRUARY 22 199					Y 22 1998	DOLLAR INDEX				
REGIONAL MARKETS - Figures in parentheses show number of stocks per grouping	US Dollar Index	% change since Dec.29 '89	Pound Sterling Index	Local Currency Index	% change local cur- rency since Dec.29 '89	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)	
Australia (84)	141.72	-6.4	122.94	123,10	-3.4	· 5.45	143.83	124,37	125.12	180,41	128.28	138.22	
Austria (19)	266.08	+46.0	230.83	232.23	+45.2	1.14	264.76	228.95	229.96	266.08	92.84	100.78	
Belgium (61)	135.46	- 124	117.51	116.59	-14.1	4.78	136.03	117.68	116.74	160.02	125.58	133.51	
Beldinu (01)	137.87	-9.4	119.61	119.45	~6.4 ·	3.41	138.77	120.00	120.03	154,17	124.67	131.35	
Canada (120)	249.22	+2.9	216.21	218.48	+0.8	1.47	251.46	217.44	219.82	260.82	165.35	170.38	
Denmark (36)	149,49	+12.1	129.69	123.39	+9.1	2.41	148.65	128.54	122.76	159,16	118.63	144.81	
Finland (26)	142.96	-84	124.02	127.43	10.0	295	146.04	126.29	129,60	157.97	112.57	114,19	
France (125)	125.86	+ 1.7	109.18	109.79	+0.9	1.93	128.61	111.22	111.66	137.01	79.56	84,38	
West Germany (96)	118.27	+ 1.0	102.61	118.58	+1.0	4.92	119.80	103.60	120.07	140.33	86.41	131.17	
Hong Kong (48)	189.31	143	164.23	168.56	+24	2.58	190.80	164.99	168.97	198.57	125.00	145.82	
Ireland (17)	84.90	-36	82.33	87.96	-5.7	2.61	95.53	82.61	88.09	102.11	74.97	81,17	
Italy (96)	168.24	-14.8	145.95	158.27	-12.9	0.52	173.84	150.32	160.32	200.11	164.22	200.03	
Japan (455)	238.46	+4.1	206.87	248.24	+43	214	240.82	208.25	250.56	245.32	143.35	159,44	
Malaysia (36)	381.42	+17.2	330.89	1137.63	+18.8	0.48	373.56	323.03	1115.42	381.42	153.32	159,30	
Mexico (13)	132.77	-7.7	115.18	114.53	-8.7	4.78	135.53	117.20	116.32	145.66	110.63	113.96	
Netherland (43)	64.38	<b> 10.7</b>	55.85	57.85	-10.2	5.96	64.80	56.03	58.29	88.18	62.64	72.38	
New Zealand (10)	233.90	+ 17.0	202.91	205.32	+14.8	1.52	236.93	204.89	207.43	241.98	139.92	167.75	
Nonway (24)	192.36	+8.5	186.88	165.32	+6.5	1.76	194.74	166,40	167.19	199.38	124.57	143.43	
Singapore (28)	205.03	+4.3	177.87	159.77	+5.1	3.49	209.79	181.41	162.33	251.39	115.35	130.78	
South Attica (CV)	150.65	-7.6	130.69	123.31	-8.8	4.26	152.05	131.48	124.23	169.75	143.14	145.12	
Spain (43)	182.37	-5.0 -5.0	158.21	164.08	-88	2.23	183.50	158.68	165.30	206.95	138.45	154.72	
Sweden (35)	94.99	+1.0	82.41	86.98	-3.3	2.08	96.73	83.64	88.27	99.12	67.81	76.67	
Switzerland (62)	155.48	-20	134.88	134.88	-7.6	4.75	158.27	136.86	138.86	164.31	133.28	148.18	
United Kingdom (306)	131.32	-82	113,92	131.32	-8.2	3.61	131.94	114.09	131,94	146.29	112.13	117.07	
USA (542)	191.32	-0.2			_ <del></del>					<del></del>			
Europe (989)	138.62	-28	120.26	120.87	~5.8	3.58	140.99	121.92	122.47	146.68	112.83	118.36	
Europa (989)	189.55	+1.2	164. <del>44</del>	<b>161.53</b> .	-0,8	1.85	190.96	165.13	182.59	201.89	137.95	152.50	
Nordic (121)	165,40	~ 14.1	143.48	153.51	- 123	0,79	170.70	147.61	157,37	194.72	180.44	194.61	
Pacific Sasifi (007)	154.93	10.3	134.40	140.61	10.1	1.80	159.05	137.54	143.54	174.18	141.68	164.07	
Euro - Pacitic (1656)	131.52	-8.3	114.18	130.58	-8.1	3.59	132.26	114.37	131 <i>.2</i> 0	146.68	112,79	117.82	
North America (662)	127,10	-3.0	110.26	112.16	<b>−4.6</b>	2.79	129.20	111.73	113.54	135.73	96.30	99.94	
Europe Ex. UK (683)	130.95	-3.0	113.60	118 <i>.2</i> 7	-1.4	4.85	132.71	114.78	119.94	140.05	111.93	129.78	
Pacific Ex. Japan (212)	154.96	10.1	134.43	140.39	-9.8	1.87	158,97	137.48	143.23	173.77	141.49	162.60	
World Ex. US (1849)	144.56	~10.2	125.41	137.50	-9.5	2,17	147.36	127.43	139.63	162.00	136.98	144.87	
World Ex. UK (2085)	145,15	-9.6	125.92	137.06	-9.4	2.47	147,94	127.93	139.17	161.84	136.67	145.24	
World Ex. So. At. (2331)-	135.25	-5.7	117.33	127.53	-6.8	3.63	138.63	118.15	128.63	145.52	114.51	118.69	
World Ex. Japan (1936)			126.24	137.22	-9.3	2.42	446.04	128.25	139.33	162.05	136.68	145.15	
The World Index (2391)	145,51	-9.5					148.31		nd 94 94 /1 o				

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US \$ Index), 90,781 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 139.65 (US \$ Index), 114.45 (Pound Sterling) and 123.22 (Local).

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QUITIES												
rice base	Acres Park III	Latest Restance Date	1989	196 Low	Şindi	Cleates Price	·	Med. Dier	Carra	Gross Yield	P/E Ratio	
				-FREE-BLEENKE	Aktastic Re., Warrants EXW Cone, Nr. Toe. 10p  "Bloom In P.  "Charves! From Ex.  "Charves Ex	40	가기 하시다 거리거나다 1	MO.1	18	1112112113	12.5	
995	F.P.		THE SERVICE OF THE PROPERTY OF	SEE STANSON SEED SEED SEED SEED SEED SEED SEED SEE	Len. a meer von C. 13. Malaysta Eq. Fd. 10c Do Warrants 10c Mortin fed Green Winess Mortin fed Green Winess Pathess Mitsing 20p Scottens Askan for Pro 1c SStorm Group 1p Setting Dist. Water A 1p Do. 6 1p Water Package Units SWittens Benerary 5p SWittens Benerary 5p	555 212 255 355 312 198 198 198 198 198 198 198 198 198 198	1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1	#0.23	33		54.8	

FIXED INTEREST STOCKS												
Issue Price £	Amount. Paid	Latest. Remote	1989/90		Stock	Closing Price	+ 01					
		Date	High	104	1	£	-					
100e 98 94 1004e	F.P. F.P.		101-79 99,1 859 101-79	111p 934 71p 950	BZW Coox, Inv Tys. Units '96-2002 Sp British Inv. Tst, 11 4pc Sec. Db 2012 Courtstell Group 10 4pc (Net) Cr. Can, Pf Everal 11.25p Cm Rd Pf 2005 10p	101 Ju 101 Ju 10	114					

issue Price	Amount. Paid	Latest Rennec	1989/90		Stock	Closing	+
P	ub i	Cate	(Figh	Low		3	١.
er based vident an ar's earsi sed on pro lest annui ed based e ratig ba	on divide of yield exci ags. If Divi aspectus or at carologs. on prospect sed on pros	et on full lede specia dend aad y miner offi M Divides les or othe mestas or o	capital.g A l payment.s ield lased ( cial estimat d and steld r official es ther official	prospectus sugged divi- i Forecast, an prospect as for 199 based on pu timates for i estimates	Bollers CRyvision 59  "Ma". Comm. 6: Oaks 59  Linnedes Queensay 59  Linnedes Queensay 59  Linnedes Queensay 59  Elitable 100  El	liminary flo r based on p Dividend an er and pie b KO. M Divide Cividend.co Officred to	renk d yi ased and a look

BANK OF	ENGL	AND T	REASURY BIL	L TEN	DER						
	Feb.	23 Fab.16		Feb.25	Feb.16						
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WEEKLY CHANGE IN WORLD INTEREST RATES											
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### **CROSSWORD**

No.7,174 Set by COURTIER

ACROSS
1 Dramatic way of serving teas with bare plates (8,6)
10 Magistrate backs a change

of direction, up to a point 11 Expansively, on the MI per-haps (2,1,3,3) 12 Indians in conflict on this

(7) 13 Explosive contains a peculiar outburst (7)

14 Encourage but face an addition that would cause embarrassment (3,2)

16 Average guy, living in Wimbledon? (6,3)

19 On which to record The Times for example (9)

Times for example (9)
20 French city girl (5)
22 Tyre, by the sound of it starting to deteriorate (5,2)
25 Separated, I point to quiet skills (2,5)

27 A laboratory plant produc-ing a smooth white material

(9) 28 Female artist clasps a brick carrier (5)
29 Act unconscientiously – by

DOWN 2 Notices correct command for line-up (4,5)

3 Scene of conflict an age back (5) 4 "- decked his brows instead of bay" (Goldsmith)

(1,8)
5 Create a law linking token actions (5)
6 Tearful site, a property right to half Cornwall (5,4)
7 Threaten to descend (5)
8 Pray tell us how to conclude (3,4)
9 Scan peak to the south-east (6)

(6)
15 A spy ran HP treatment for skin irritation (5,4)
17 This festival could be a mad

17 'This festival could be a mad rag, Sir! (5,4)

18 Lesser thoroughfare may be nothing in Rolls-Royce domain (5,4)

19 We'll ban wobbly projectile favouring fast men (8,4)

21 He'll agree to remove a let-

ter from 8 and rewrite it 23 A lawyer in America takes exercise for change (5) 24 Accommodate it in the French end (3,2) 26 Danger for every one at fifty

(5)
The solution to last Saturday's prize puzzle will be published with names of winners on Saturday March 10.

**JOTTER PAD** 

### LONDON SHARE SERVICE

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ohn MacGregor, the short bluff Scotsman in charge of British educa-

tion, is nothing like as good a salesman as Kenneth Baker, his predecessor. Fine phrases do not trip off his tongue. He could never make a

living selling encyclopedias. But he more than makes up for presentational weaknesses by

presentational weaknesses by conveying a genuine interest in his subject.

"It's fairly clear from my background," he says, "that I have a typically Scottish view about the importance of education." At multis school in Edin.

about the importance of educa-tion." At public school in Edin-burgh, Mr MacGregor was "very much the scholarship-boy type." He swotted away in the sixth form passing five rather than the normal three A

levels and then spent seven years at university: four at St Andrews, where he specialised

in economics, and three at King's College London, where he read law. As if this were not

enough, he then took a job as a university administrator.

that Mr MacGregor actually likes schools, universities and

the process of education. This

commitment to education is encouraging, but not, of course, a guarantee that he will succeed in raising Britain's often lamentably low

One possible reason for low

standards is that a large pro-portion of rich and influential

people has always sent its chil-dren to expensive independent schools — and thus never

cared a fig about the quality of

state comprehensives. The independent sector educates only about 6½ per cent of the population but wins more than 50 per cent of the places for home students at Oxford and

Cambridge. Did Mr MacGregor

consider this evidence of great

inequality of opportunity?
"I'm a great believer in

"I'm a great believer in choice and variety," was the predictable reply. Mr MacGregor said many parents who choose the independent sector are "first-time" buyers, having themselves been educated in state schools. This indicated a level of discotisfaction with

level of dissatisfaction with

state education which the Government was striving to

improve via reforms such

as the new national curricu-

Somewhat lamely he added

that some state schools were getting extremely good results, including Oxford scholarships.

"I have some in my constitu-ency," he confided. But he did

heavily influences an individ-

ual's chance of attending the

The Government's reforms

will only work, I suggested, if schools can attract teachers of

the right quality and provide a

best universities.

standards.

So it is reasonable to guess

### **Thinking** twice about dirigisme

hings are not going well for the American industrial policy lobby. Though it gained influential converts in the late 1980s, it has failed to persuade the Bush Administration that the competitive ills of US indusand computing can be cured by a dose of dirigisme laced with lavish government subsi-

Now, one of the movement's leading lights, Mr Robert Reich of Harvard University, has issued what amounts to a public recentation. In an article in the Harvard Business Review\*, he tacitly admits that the remedies to declining US competitiveness which he and others once favoured were based on a fundamentally wrong diagnosis.

#### Illusory

The crucial mistake, he says, was to assume that the economic interests of the nation and those of US-owned manufacturers were identical. But the link is illusory, By expanding their investments abroad far faster than at home, American firms have succeeded better than the country as whole in maintaining their share of world trade.

The companies which are really doing their bit for US employment and prosperity are, he insists, are increas-ingly foreign-owned. Their US operations contribute substan tially — and often more than their home-grown competitors — to local skill levels, manage-

ment quality, technology and industrial value-added. They also pay their staff better. In not directly address the point that parental income now sum, growth of foreign direct investment is not a Trojan horse but a gift horse. Reich does not attempt to

explain why foreigners should be pouring into the US just as its own companies are rushing in the opposite direction. Presumably, "globalisation" and
- in the case of Japanese firms - US protectionism play a part. But the blinding revels tion that America's best friends are not who he had once supposed leads him to some useful conclusions.

#### Myopia

Washington, he argues, is simply wasting its time blud-geoning Tokyo into opening georing loays into opening its domestic market to imports of products like mobile tele-phones when the only hand-sets exported to Japan from the US are produced by Japa-ness-owned companies.

It is no less myopic to limit membership of collaborative projects, such as the Sematech microchip programme or the proposed high-definition tele-vision consortium, to Ameri-can-owned companies.

Such ventures, he says, should be opened to any elec-tronics manufacturer with US research and manufacturing operations - Japanese

As Reich points out, a country's most important competi-tive assets are the skills of its workforce and its technology base. In a world of mobile capital, discriminating between companies simply on the dubious criterion of beneficial ownership leads to inefficient use of scarce resources and, ultimately, to self-impoverish-

Reich's article is a refreshing antidote to US paranola about supposed foreign threats to its economic sovereignty. It also offers lessons to Europe, where "strategic industry" arguments have persuaded Brussels to fund a costly programme to help European companies produce advanced microchips. The manufacturers insist Europe must have the capacity to make such components if it is to remain at the forefront of technology. Yet Brussels has also introduced rules which require semiconductors sold in the semiconductors sold in the European Community to be made there, compelling most leading US and Japanese producers rapidly to expand their local production facilities. Once that capacity comes on stream, it may be a most question where the EC's industrial interests lie.

With indigenous chipmakers, who are struggling to stay in the business? Or with US and Japanese producers, who already dominate the EC's market and appear set to control most of its onshore pro-

MONDAY INTERVIEW

## Cautious man of the Party

John MacGregor, UK Secretary of Education, speaks to Michael Prowse

the teachers' advisory commit-tee on pay, Her Majesty's Inspectorate (HMI) and others painted a frightening picture of a service under strain. I gave a few examples. After

I gave a few examples. After 10 years of Tory management, a third of teachers say they would leave the profession if they could; only 15 per cent retire at the normal age; recruitment is 35 per cent below target in physics; the HMI says a quarter of schools (some 1,000) are not performing satisfactorily; in 20 per cent average attendance is below 90 per cent.

per cent.
"You've got to look at com-parative levels," interjected Mr

#### PERSONAL FILE

Born, Scotland. Educated St Andrews University 1965-68 Head of Edward

Heath's private office 1973-79 Director, Hill Samuel 1974- Conservative MP, South Norfolk 1985-87 Chief Secretary to the

Treasury 1987-89 Agriculture Secretary 1989- Education Secretary

MacGregor, anxious to stem the flow of awful statistics. "There has been considerable progress in the 1980s, I could quote a lot of statistics back at you. The HMI report also says that 70 to 80 per cent of all teaching in schools is satisfactory, good or very good."

Mr MacGregor concedes that
there are serious shortages of

teachers in some subjects. But most of these are in areas where skills are in high demand throughout the economy - such as languages. He complains that the shortages experienced by other indus-

On morale, he says it is not surprising that some older teachers "frankly run out of steam" and cannot face the changes being introduced, such as local management of schools and the new curricu-

"The key thing to ensure is "The key thing to ensure is that we have a supply of good eager replacements." He adds that perceived status is also terribly important. Head teachers have to believe their work is valued by society. But surely, I argued, if you want to revive the sector, you must ensure that resources flow into education in a big way as they have into say

way, as they have into, say, financial services. Since the Government lacks the will to raise education spending sig-nificantly, it logically should ask parents to contribute towards the cost of state education. They spend huge amounts on consumer durables and for-eign holidays and would probably want to spend more on education than his budget

allowed.

Mr MacGregor struggled not
to smile. "Are you talking about vouchers or something like that?" he asked.

It does not matter how it is done, I said, I'm simply asking whether it makes sense to fund this crucially important commodify through taxation if con-straints are placed on the rate at which tax revenue can grow. Caution became Mr MacGre-

gor's watchword. "Vouchers have been looked at on several occasions and they are certainly not in my sights." However, the fact that he got Cabinet approval within 24 hours to implement the advisory committee and the advisory committee and the several statement of the several seve mittee's pay recommendations in full indicated the priority he attached to getting more resources for education.
"I do also think that th

ing. Yet recent reports from do not get the same publicity. absolutely nothing wrong, and



T'm a great believer in choice and variety'

indeed every virtue, in encouraging parents to contribute — admittedly mainly at the margin – but to contribute a great deal more to things such as equipment and books . . . I see nothing wrong in that but it's always going to be a small

proportion."
But why should it be a small proportion? "Because otherwise you're moving into a voucher system."

Under a voucher system, state spending on eduction would be redistributed directly to parents. They could spend the vouchers how they pleased and top them up with their own money. Artificial restraints on the total level of educational spending would disappear

Mr MacGregor was not able to explain cogently why he objected to vouchers. He sim-ply declared they were not "the political priority at the present

But he denied that the intro duction of vouchers would be "inconceivable" at some point during the 1990s. In the mean-time, schools had more than

enough reforms to cope with. enough reforms to cope with.

Turning to what chikiren are
taught, I asked whether Mr
MacGregor agreed that the
new national curriculum was
old-fashioned. The curriculum
makes traditional subjects
such as geography, history and
art compulsory, but does not
require students to study economics.

"Hang on a minute, let's keep a sense of perspective on this," was his slightly flustered reply. "As far as market aware-ness and the role of economics is concerned, no one is more

ssionate than I." But drawing up a new curriculum was a "horrendously difficult task": finding room for the traditional subjects meant fitting a "quart subjects meant fitting a quart in a pint pot" and incurring the wrath of groups such as classicists. Mr MacGregor suggested a vague place for economics might be found as a "cross-curricular theme" or as

an extra-curricular item.
This seemed an unsatisfactory reply. I said it was not obviously more important to teach children about the structure of the atom than about the nature of the price mecha-mism. But Mr MacGregor was unwilling to concede funda-mental flaws in the structure of his compulsory curriculum.

Switching to post-16 educa-tion, I asked whether he was concerned that after 10 years of Tory management the HMI had found that 36 per cent of schools offered sociology A level but only a mere 15 per cent offered vocational courses sponsored by the British Tech-nician and Education Council

(BTec)?

He agreed the needs of the post-16 age group had to be addressed. This was the "next stage of development" of the Government's reforms. He accepted that A level courses were not right for all 16 - 18 year olds and that there needed to be a stronger emphasis on vocational education if staying on rates (which are among the lowest in Europe) were to rise.

But characteristically he refused to accept the case for root-and-branch reform. I

root-and-branch reform. I pointed out that the A level system virtually precluded the possibility of a balanced curriculum because you could not cover much ground if only three subjects were offered for examination.

Mr MacGregor's response was that pupils would at least enjoy a broader education up to the age of 16 and that he had asked his advisory bodies to look at ways of combining A levels with vocational courses and "core skills" such as numeracy and information technology. He also expressed confidence in "AS levels", which are a new type of shortened A level

The impression I took away was that Mr MacGregor would sooner die than contemplate radical reform. He will implement present policy diligently, but the kind of changes needed if the relative decline of state education is to be halted must await a much bolder politician. Meanwhile wealthy parents will continue to vote with their

₹£5

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### Dervishes turn towards a renaissance of Islam

ach Mevlevi in the file moving with stately mien beneath a tall, fawn fez bowed to kiss the grand master's ring. Then to the calm, majestic cadence of the sema – a rythmic fugue by drum, reed flute, zither and other stringed instruments -they unfolded their arms up and out, whirling away with billowing white skirts into a mystic communion with their

The whirling Dervishes of the Wilring Dervises of the Mevlana sect were performing in December before President – formerly Prime Minister – Turgut Ozal in the Ataturk sports hall in Konya, the Islamic centre of Turkey.

the Islamic centre of Turkey.

The Mevlevi were established in Konya in the 13th century by the great poet and philosopher Mevlana Celaleddin-i Rumi. Along with other Islamic brotherhoods, the sect was proscribed in the fervour of the secularism with which Mustafa Kemal Ataturk, the nationalist leader, founded the republic in the 1920s.

They were permitted to start whirling again in 1953, ostensibly only for the preservation of Turkey's artistic and cultural heritage. But the ceremony

heritage. But the ceremony seen by Mr Ozal was imbued with far more spirit. An impassioned speech call-ing on all to venerate Meviana

and his beliefs by Mr Namik Kemal Zevbek, the right-wing Minister of Culture, set the mood as Mr Ozal was ushered to his seat by Mr Mehmet Kececiler, the MP for Konya. Mr Kececiler is the leader of the dominant "holy alliance" of Islamic conservatives and

of Islamic conservatives and right-wing nationalists in the ruling Motherland Party (ANAP).

Officially, Turkey remains the secular state conceived by Ataturk. The military, which at the highest level considers itself the guardian of this tradition, periodically conducts tion, periodically conducts "witch-hunts" for religious fun-damentalists which it thinks may threaten the modern order. The most recent purge turned inward on the army:

suspicion was thrown on 300 officers and NCOs.

The Mevlevis themselves in no way present the sort of



LETTER FROM KONYA

omnipresence. In any case, the cult of sainthood at the centre of the sect is anothema to the purist austerity of Islamic fun-damentalism. Fringe groups apart, Islam in modern-day apart, Islam in modern-day Turkey is largely pious worship, not violent proselytising. Yet there is no doubt about the resurgence of Islam in Turkey. It is most visible in the number of mosques under construction and newly built, and in the proliferation of neighbourhood Koranic schools. bourhood Koranic schools.

Some interpret the resurgence as a retreat from crushing inflation and consequent eco-nomic and social distress. Mr Ozal's visit to Konya so early in his seven-year term after his election in November is yet one more indication that the state will now look far more benignly on manifesta-tions of Islam than it did under former president General Kenan Evren. Last month.

there were demonstrations in Istanbul and Ankara demand-Istanbul and Ankara demanding that the great mosque of Aya Sofia, once the cathedral of Constantinople, be returned to public prayer from its present status as a museum.

President Ozal is a devout believer. In the first three weeks of his term he attended Friday prayers ostentatiously at large Ankara mosques until persuaded that it was not presidential form.

idential form.

He last made the Haj pligrimage to Mecca in 1968 after
escaping an assassination attempt against him in June of

that year. Another indication of Islam's new-found acceptability was the lifting in December of a ban on the wearing of Islamic headgear - most commonly young girls' headscarves - at institutions of higher educa-Guy de Jonquières

The secular state now young girls' headscarves – at typified for Near East governments by the theocracy in Tehran. Theirs is a quietistic philosophy incorporating a belief in love, tolerance and God's but this repeal was later can-

The end-of-December decree instead quietly removed the relevant article from the higher education law - but left the final decision on the matter up to individual universities, most of which reinsti-tuted a classroom ban on their own authority.

The intervention of the constitutional court had prompted a thundering denunciation from Ayatollah Khomeini. This, coupled with street dem-onstrations outside mosques following Friday prayers, com-promised Mr Ozal, when set against his indulgence towards a "few girl students." Reaction against the spectre of fundamentalism was a minor factor in the overwhelming rejection of ANAP in local elections at

the end of March 1989. Yet now the new realism in Tehran under President Rafsanjani could usher in a period of improved Iranian-Turkish relations. An invitation to visit Turkey has been extended to President Rafsanjani, while Turkish Prime Minister Mr Yil-dirim Akbulut will travel to Tehran tomorrow at the head of a delegation of Turkish businessmen looking for contracts, following the example set in the 1980s by Mr Ozal when he was premier. Significantly, Mr Kececiler will be the acting premier while Mr Akbulut is away.

Religious considerations did not affect the broadly negative axis by the EC Commission recently on Turkey's full mem-bership application, at least according to Mr Abel Matutes, the EC Commissioner for the

Meditarranean.
However, senior officials and ministers have obliquely threatened that Turkey might seek an independent regional role if given no hope soon of EC entry, with all that might entail for its EC association agreement and NATO metro.

But how far Turkey would be prepared to jettison Europe and the US for its southerly neighbours, Syria, Iraq and Iran, or move closer to the Soviet Union is another ques-tion. Despite the Islamic resurgence, Turkey's future still lies on the course Ataturk steered - towards the West rather than East.

Jim Bodgener

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